SNAP INC. Q2 2026 QUARTERLY EARNINGS CALL TRANSCRIPT

OPERATOR
Your first question comes from the line of Doug Anmuth with JP Morgan. Doug, your line is open. Please go ahead.

DOUG ANMUTH, JP MORGAN
Great. Thanks for taking the question. It seems like you think Q2 was the quarter where you're seeing the work of the last few years paying off. I just want to kind of hear more about what gives you the confidence that this kind of growth and performance is really durable going forward. Thanks.

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER
Hi Doug, thanks for the question. You know the improvement in Q2 really reflects progress across both the advertising platform and the go to market execution which is something we've really been working hard on. We're delivering stronger performance especially for app e-commerce and other lower-funnel advertisers and we're making campaigns easier to manage with better automation optimization, measurement, and attribution. One of the things I'm particularly excited about is that all these improvements resulted in a 56% year-over-year increase in conversions across the platform, including app and pixel purchase goals. And we also saw increased spending from existing advertisers alongside broader adoption of newer formats like Sponsored Snaps and our smart campaign solutions. So, we know we still have more work to do, but the breadth of the improvement here is what gives us confidence that's being supported by stronger fundamentals.

OPERATOR
Your next question comes from the line of Ross Sandler with Barclays. Ross, your line is open. Please go ahead.

ROSS SANDLER, BARCLAYS
Hey guys. So, there was some language in the letter about SPECS and the launch date and your kind of planned pacing of investment. So, could you just elaborate a little bit on, you know, what we should expect in the second half and into ‘27 for SPECS investment, and then is the idea of setting up SPECS as a company outside of Snapchat off the table or is that still something that you guys would consider in the future? Thanks a lot.

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER

Hi Ross, thanks for the question. You know, I think, big picture, what we were really trying to outline was that given the real inflection in free cash flow generation in the business, that we have the ability to simultaneously invest in the future of SPECS, offset dilution, and strengthen our balance sheet. So, as we look at SPECS specifically, we're very focused right now on product quality, on the customer experience, and really the ecosystem development, and we've gotten some great feedback from developers and businesses after the announcement at AWE in June. I think looking forward on September 16th, we'll be sharing a lot more about all the different ways people can use SPECS, how they fit into people's lives, and we're just really excited to get SPECS into folks' hands later this year.

OPERATOR
Your next question comes from the line of Dan Salmon with New Street Research. Dan, your line is open. Please go ahead.

DAN SALMON, NEW STREET RESEARCH
All right. Great. Good afternoon, everyone. Evan, I'd just like to hear a little bit more on the North American DAU outlook for the rest of the year after it stabilized at 92 million this quarter. You mentioned more usership, healthier usership in the 35 and older age group in the letter, could you expand on that and maybe also give us a little color on users under 35 and whether that figure grew sequentially this quarter? Thanks.

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER
Thanks, Dan. Yeah, we're definitely encouraged by the stabilization in North America DAU on a quarter-over-quarter basis and we've made some progress in strengthening the core communication experience and also giving Snapchatters more reasons to engage, with Spotlight and the Snap Map and Augmented Reality. I would say in particular Spotlight is becoming a more important part of that flywheel. So in the US, the number of people posting grew more than 115% year-over-year, and daily active viewers of Spotlight increased by more than 20%. So I think going forward, we're just very focused on improving activation, retention, and engagement. I would say we are closely monitoring the regulatory environment including age assurance, privacy, and online safety requirements, which may affect the product experiences or our user growth and engagement over time.

OPERATOR
Your next question comes from the line of Rich Greenfield with LightShed Partners. Rich, your line is open. Please go ahead.

RICH GREENFIELD, LIGHTSHED PARTNERS

First of all, thanks for the shorter prepared remarks. That was really helpful. I appreciate getting to questions quickly. Evan, it's been like seven weeks since you started taking pre-orders for SPECS. Any sense you could give us of what pre-order volumes look like and what that's telling you about demand heading into the launch event in September. And then two, Doug, you called out in the prepared remarks that there was a Q2 tailwind from the World Cup as well as the large advertiser performance. I would assume the World Cup has carried over at least a little bit into Q3, but any commentary on, sort of, could you size for us like what the World Cup means and obviously you did more, your revenue growth in Q2 was faster than your guide for Q3. Is the difference not having the World Cup or just less World Cup, just trying to understand what the organic number might look like from that change or that improvement in the large advertiser number that you called out.

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER

Hey Rich, thanks so much for the question. Yeah, you know, on SPECS, we've been overwhelmed at the extent to which I think our announcement really broke through and there's just a huge amount of interest. What we're hearing from folks is really that they want to try SPECS. It's obviously a high consideration purchase at $2,195 and obviously developers and folks who are familiar with the platform, really understand it and understand the technical leaps we've made with this generation. I think for the broader public and consumers, it's going to be really important for folks to go hands-on. And I think September 16th, our upcoming launch event will be an important, sort of starting point for that consumer oriented journey. So certainly a lot of exciting momentum around SPECS and we're really looking forward to getting these in folks' hands and really so that they can experience the platform for themselves.

DOUG HOTT, CHIEF FINANCIAL OFFICER

Hey Rich, this is Doug to take the second part of your question. Yeah definitely the World Cup provided a benefit during the quarter but it wasn't the only improvement we saw. Our guidance reflects the expected normalization of World Cup related spending and a more difficult year-over-year comparison in Q3 following the easier comps we had in Q2 as our ad platform stabilized last year at the end of Q2 2025. In Q2 this year, we continue to see constructive trends across the platform including, large advertiser momentum in North America, strength among the SMB and really the broader adoption of our smart campaign solutions and the lower-funnel products like app purchase and DPA really added to our overall year-over-year growth. So, we're very pleased by that. Thanks.

OPERATOR

Your next question comes from the line of Michael Nathanson with MoffettNathanson. Michael, your line is open. Please go ahead.

MICHAEL NATHANSON, MOFFETTNATHANSON

Thanks. Can I just double click back on SPECS for a second? I guess going to Ross's question, I understand why you're doing it, but the question I think is the financial sense of why this will work for a company your size. So walk us through why financially the structure you have here makes sense versus working with a partner, and then what gives you confidence given that Apple, Meta, Alphabet are all trying to build over time competitive products. What gives you the confidence that you actually can win at this game versus some bigger resourced companies? So thanks.

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER

Hi Michael, thanks so much for the question. I think what is very clear to us is that the long-term opportunity to develop the next computing platform is absolutely enormous. If you look at what laptops and desktops did to desk jobs, the transformations in productivity and what that enabled for the world over the last couple decades has just been extraordinary. And I think what's so unique about SPECS is that they bring computing to the real world and to real world jobs and allow you to work hands-free you know with AI assistance and really the incredible power of computing in the world around you. And I think that opportunity is just enormous even at single-digit percentages of smartphone volumes. I think what some folks maybe don't understand yet, especially because SPECS are so new and we're really the first mover in this category, is how difficult the product is to execute from a technical perspective which is why that full stack integration everything from our developer platform and tools to our lens core rendering engine into our operating system to the optical engine itself, all of those things have to work perfectly together to deliver the customer experience that we've provided with SPECS. And I think one thing that's a bit different this time around when we started innovating in the social space was we were a late entrant. So most of the apps at the time whether it was Facebook or Instagram or Twitter were already in existence and we had to really innovate to continue to grow and obviously now we're approaching a billion MAU. What's so unique about this opportunity for us is really that we're a first mover and that really plays our strengths as an innovator. It's why we've been able to lead in this category and leverage our incredible AR platform to win over the long-term.

OPERATOR

Your next question comes from the line of James Heaney with Jefferies. James, your line is open. Please go ahead.

JAMES HEANEY, JEFFERIES

Thank you. Could you just talk about what's driving the decision to raise the full year infrastructure cost outlook? Just how should we be thinking about the return on that investment, particularly as it relates to the DR kind of lower-funnel advertising business. Appreciate it. Thank you.

DOUG HOTT, CHIEF FINANCIAL OFFICER

Thanks James. Yeah, this is Doug. I think this is an opportunity for us as we've seen the advertising revenue growth over this quarter and our guide for Q3. One of the things that we want to make sure that we're doing is continue to invest especially in DR and our ad platform in general. And so this gives us a little bit of flexibility to make those investments as we see fit through the back half of the year. Doesn't mean we'll have to do that, but we wanted to make sure that we gave full year guidance to reflect the opportunity that we could make those investments and really drive those meaningful short and medium and long-term investments in our ad platform.

OPERATOR

Your next question comes from the line of Mark Shmulik with Bernstein. Mark, your line is open. Please go ahead.

MARK SHMULIK, BERNSTEIN

Yes, thanks for taking the question. Doug, both you and Evan mentioned prioritizing free cash flow per share in kind of the prepared remarks and just wondering, what's different as you've ramped up in the seat and how's your philosophy evolving and you're deploying it across your organization and you know, if there's any kind of colorful examples in the early days of things you've done around restructuring the cost space would be very helpful. Thank you.

DOUG HOTT, CHIEF FINANCIAL OFFICER

Thank you, Mark. Appreciate it. Yeah, I think really free cash flow per share connects the three things that we believe are really essential to our long-term shareholder value. So, number one, improving the operating performance of the business. Number two, investing our capital with discipline. And lastly, managing our dilution. Our first priority is really to grow free cash flow if you think about the numerator of this. And we really want to grow revenue faster than cost. And if you think about what we did in Q2, we grew revenue 19% year-over-year and we only grew cost 4% and we're really proud of that and I think comes a lot from the restructuring that we did at the beginning of the quarter and can continue forward as we look to continue to drive that flow through. Then after that flow through to cash we want to allocate that cash in a really balanced way so investing in our highest return opportunities, maintaining a healthy cash balance and strengthening the balance sheet and then finally repurchasing shares to help offset that dilution. As Evan mentioned in his prepared remarks, following the expected completion of our current authorization in Q4, we expect to implement a multi-year program beginning in 2027. And I expect that any new program will be funded primarily through free cash flow and designed to support our stable share count over time.

OPERATOR
Your next question comes from the line of Eric Sheridan with Goldman Sachs. Eric, your line is open. Please go ahead.

ERIC SHERIDAN, GOLDMAN SACHS
Thanks so much for taking the question. Maybe broadening out the conversation on monetization just understand better how you're thinking about the evolution of the mix of revenue in the business and some of the signals you're getting from Snap+ as a subscription and how do you even think about SPECS as an opportunity both across hardware and subscriptions to possibly also diversify the revenue stream as you look out not just through the end of this year but out over for 2027 and beyond. Thanks so much.

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER
Eric. Thanks so much for the question. I think big picture, it's really exciting that we're becoming a multi-engine revenue business here. I think that does expand the total opportunity for us overall. And, I think it also provides a lot more resilience, frankly, as we look at our long-term growth. I think one of the real bright spots for us has been other revenue, you know, growing 85% year-over-year. That's been primarily driven by Snapchat+, memory storage and then a new subscription product we have called Lens+, which is really connected to new AI creative tools and that's sort of at a higher price point for our community. So we've seen some really nice and exciting growth there and we believe that continuing to develop new premium features and creative tools will drive growth into the future. I think as I noted in my remarks less than 3% of our MAU are paying subscribers today. So we do think there's substantial room to increase penetration over

time. Looking to SPECS as well, that is a longer term opportunity for us but it is absolutely massive if we can really help people make this shift to computing based on screens or from computing based on screens to computing in the real world.

OPERATOR
Your next question comes from the line of Shweta Khajuria with Wolfe Research. Shweta, your line is open. Please go ahead.

SHWETA KHAJURIA, WOLFE RESEARCH
Thank you for taking my question. I had one on subscribers. So in the letter and in your prepared remarks, you mentioned less than 3% of MAU is where you are at. Could you please talk about how you view the runway for that 3% to grow and where do you think that could grow to call it in the near to mid-term and what kind of opportunity you see there? And what gets you there? What are some of the drivers that you feel confident gets you to that penetration level? Thanks a lot.

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER
Yeah, thanks so much for the question. It's still early days for us on the subscription products. So it's hard to say specifically. One of the things we did do, is just take a look across the industry at other app-based subscription products and it seems like penetration is typically around seven to let's call it 12% over the long-term. So, I do think if we just look across the competitive set, there is certainly headroom to continue growing subscribers. From here, I think what we've seen work historically is just continuing to add value to our subscription products. And I think Lens+ is going to be an exciting new driver of growth for us there as it allows us to expand into some really powerful AI tools that people have really demonstrated a willingness to pay for.

OPERATOR
Our last question comes from the line of Lloyd Walmsley with Mizuho. Lloyd, your line is open. Please go ahead.

LLOYD WALMSLEY, MIZUHO
Thanks for taking the question. Two if I can. First one maybe for Evan. Can you just help us understand how you think about the trade-off between growing the profitability and free cash flow of the company overall and then you know investing in the future of SPECS and sort of are there any guardrails to think about in terms of how much you might invest? And, sort of any sense for how the product roadmap looks in terms of when we might really get

to see a broad mass market product market fit. And then I guess the second one, shareholder letter talked about just the strong incremental reach in Sponsored Snaps. So I'm wondering if you can give us an update on how meaningful is that ad unit today in the ad mix and sort of how that could become a significantly larger portion of the ad mix over time. Anything you could share there would be great. Thanks.

EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER

Thanks so much for the question. As I mentioned, I do think that the real inflection in free cash flow generation is going to allow us to invest in SPECS and offset dilution while simultaneously strengthening our balance sheet. I think SPECS are just so important because they support our mission of making computing more human. And we really believe that this next generation of computers is going to be more contextual, more intelligent, and far less dependent on people operating screens. And I think, really, that see-through glasses are a natural form factor for the future because they allow technology to understand the world around you and assist you without pulling you away from it. I think right now, we are really approaching this investment with a lot of discipline and as I mentioned in the near-term our focus really is on the customer experience, the product quality, and the ecosystem development. I think it will be towards the end of the decade before we see mass market consumer adoption and I think things for example like weight and cost are going to have to come down to see unit volumes really meaningfully pick up. But we do have I think a real advantage here and that developers have been building on the SPECS platform now for several years. They're very familiar with our tools and we're just so excited to share more on September 16th when folks can see all the amazing experiences that are possible with SPECS.

OPERATOR

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