

**Snap Inc.**

# Q4 and Full Year 2019 Earnings Slides

February 4, 2020

# Forward-Looking Statements & Non-GAAP Financial Measures

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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, business strategy and plans, user growth and engagement, product initiatives, and objectives of management for future operations, 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.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this presentation on our current expectations and projections about future events and trends that we believe may 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 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our most recent quarterly report on Form 10-Q filed with the SEC, which is available on the SEC’s website at [www.sec.gov](http://www.sec.gov). Additional information will be made available in our annual report on Form 10-K for the fiscal year ended December 31, 2019 and other filings that we make from time to time with the SEC.

In addition, the 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, 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, mergers, dispositions, joint ventures, 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.

# Fourth Quarter Financial Highlights

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Revenue	<ul style="list-style-type: none"><li>• Revenue increased 44% YoY to \$561 million.</li><li>• Average revenue per user increased 23% YoY to \$2.58.</li></ul>
Operating Performance	<ul style="list-style-type: none"><li>• Gross margin<sup>1</sup> increased to 56%, compared to 48% in Q4 2018.</li><li>• Operating margin improved to (45)%, compared to (50)% in Q4 2018.</li><li>• Net loss increased \$49 million YoY to \$(241) million, including \$100 million of non-recurring legal charges<sup>2</sup>.</li><li>• Adjusted EBITDA improved \$93 million YoY to \$42 million.</li><li>• Adjusted EBITDA margin<sup>3</sup> improved to 8%, compared to (13)% in Q4 2018.</li></ul>
Cash	<ul style="list-style-type: none"><li>• Operating cash flow improved \$59 million YoY to \$(67) million.</li><li>• Free Cash Flow improved \$73 million YoY to \$(76) million.</li><li>• Ending cash and marketable securities decreased \$148 million QoQ to \$2.1 billion.</li></ul>

<sup>1</sup>Excludes stock-based compensation expense and related payroll tax expense, depreciation and amortization, and certain other non-cash or non-recurring items impacting net income (loss) from time to time.

<sup>2</sup>See Appendix for reconciliation of net loss to Adjusted EBITDA.

<sup>3</sup>We define Adjusted EBITDA margin as Adjusted EBITDA divided by GAAP revenue. See Appendix for reconciliation of net loss to Adjusted EBITDA.

# Business Highlights

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**In 2019, we added 31 million Daily Active Users and saw increased engagement across key metrics:**

- DAUs were 218 million in Q4 2019, an increase of 31 million or 17% year-over-year.
- DAUs increased sequentially and year-over-year in each of North America, Europe, and Rest of World.
- DAUs increased sequentially and year-over-year on each of iOS and Android platforms.

**We continue to invest in our Discover platform, with a particular focus on building a sustainable content ecosystem:**

- Total daily time spent by Snapchatters watching Discover increased by 35% year-over-year in Q4 2019.
- Total daily time spent by Snapchatters over the age of 25 watching Discover increased by 60% year-over-year in Q4 2019.
- In Q4 2019, over 50 Shows reached a monthly audience of over 10 million viewers.
- We launched 78 new international Discover channels in Q4 2019, up from 53 in Q3 2019, to bring locally relevant content to our global community.
- Since their debut in November 2018, more than 125 million Snapchatters have watched Bitmoji Stories, our personalized comics starring Snapchatters and their friends.
- We introduced Bitmoji TV, a fully animated, regularly updated cartoon series that will star users' self-styled Bitmojis and their friends.

**We continue to invest in our augmented reality and camera platform:**

- Over 75% of our community engages with augmented reality every day on average.
- At the end of Q4 2019, over 735,000 Lenses had been created by our community through Lens Studio, up from over 600,000 at the end of Q3 2019.
- Lenses made by our community via Lens Studio now make up over 20% of the total Snaps sent every day with a Lens, with top-performing Community Lenses reaching billions of views on Snapchat.
- On New Year's Eve, more than 200 million people engaged with augmented reality on Snapchat over 13 billion times, up from 9 billion last year.

# Business Highlights

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## **We strengthened our ad platform products and capabilities to drive improved outcomes for advertisers:**

- Revenue from Commercials more than tripled year-over-year in Q4 2019.
- Revenue from Story Ads doubled year-over-year in Q4 2019.
- We announced that McDonald's and Coca-Cola are our first brand partners to utilize our Scan camera technology, which combines visual search and augmented reality by recognizing a logo through the Snap camera and providing related AR experiences.
- Any brand can now create a marker Lens for free via Lens Studio and submit it for the Snapchat community to use.

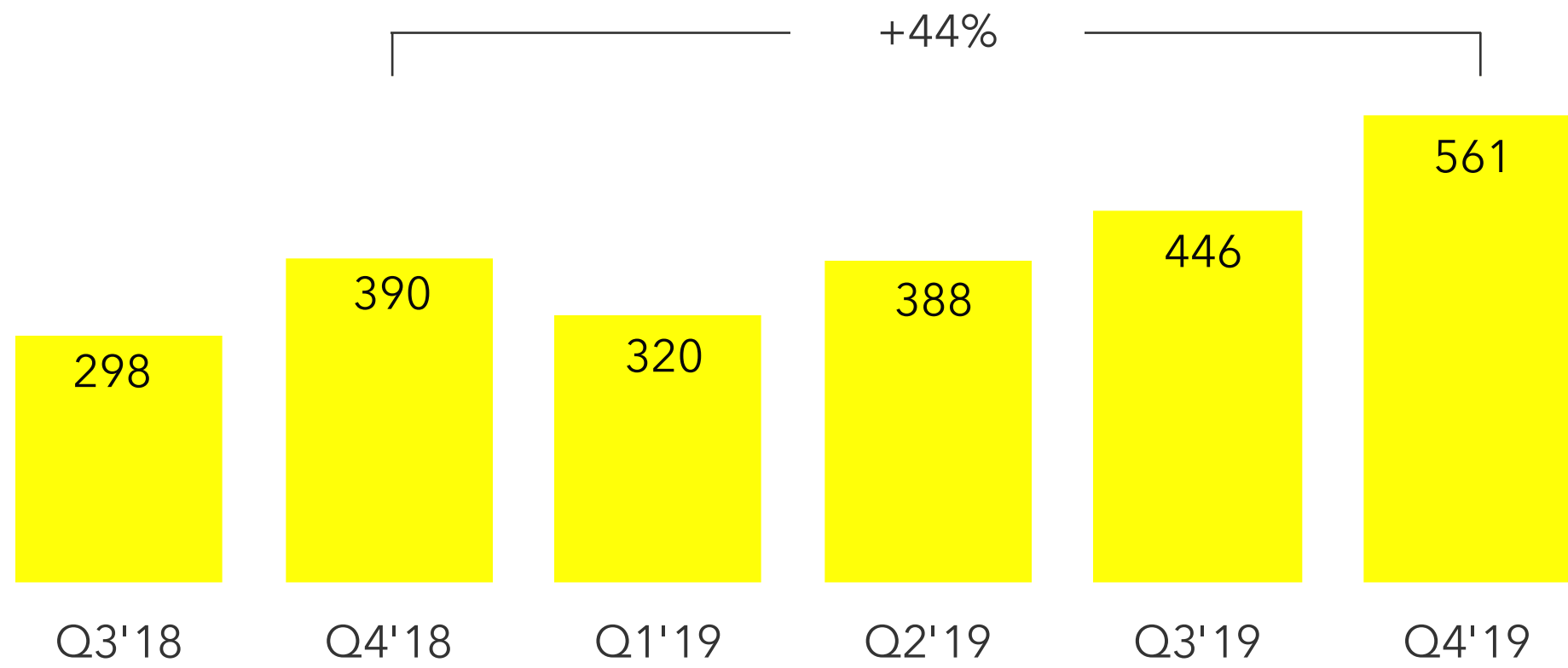
## **We continue to build additional platform innovations to better serve our large and engaged community:**

- We launched Cameos, our new creative tool that makes Snapchatters the star of their own videos that they can send to friends in Chat.
- In Q4 2019, we released three new leaderboard games – Find My Friends, Slide the Shakes, and Ready Chef Go – which allow Snapchatters to compete against their friends for the highest score.
- We added over 150 partner app integrations with Snap Kit in Q4 2019.
- 14 apps created by our partners are currently in the top 100 free apps of the US iOS App Store.

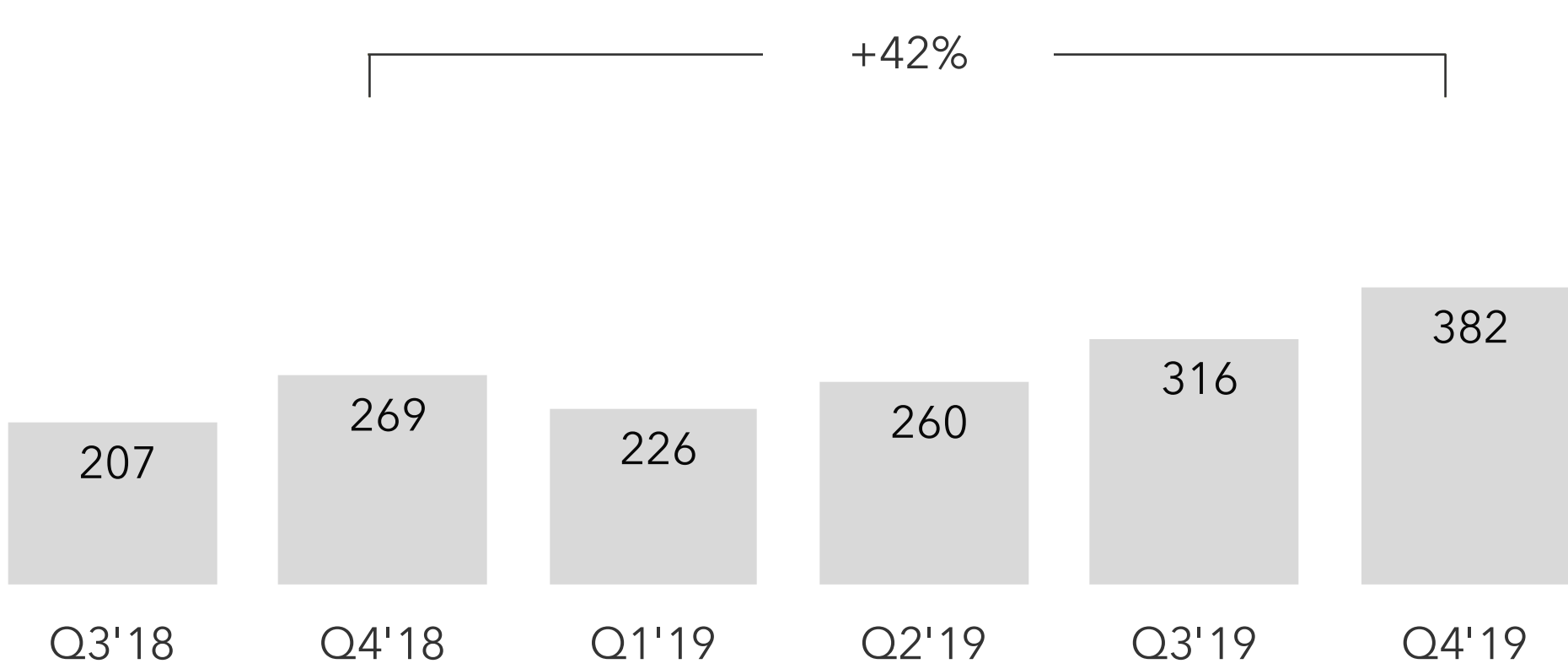
# Revenue by Geography

(in millions, unaudited)

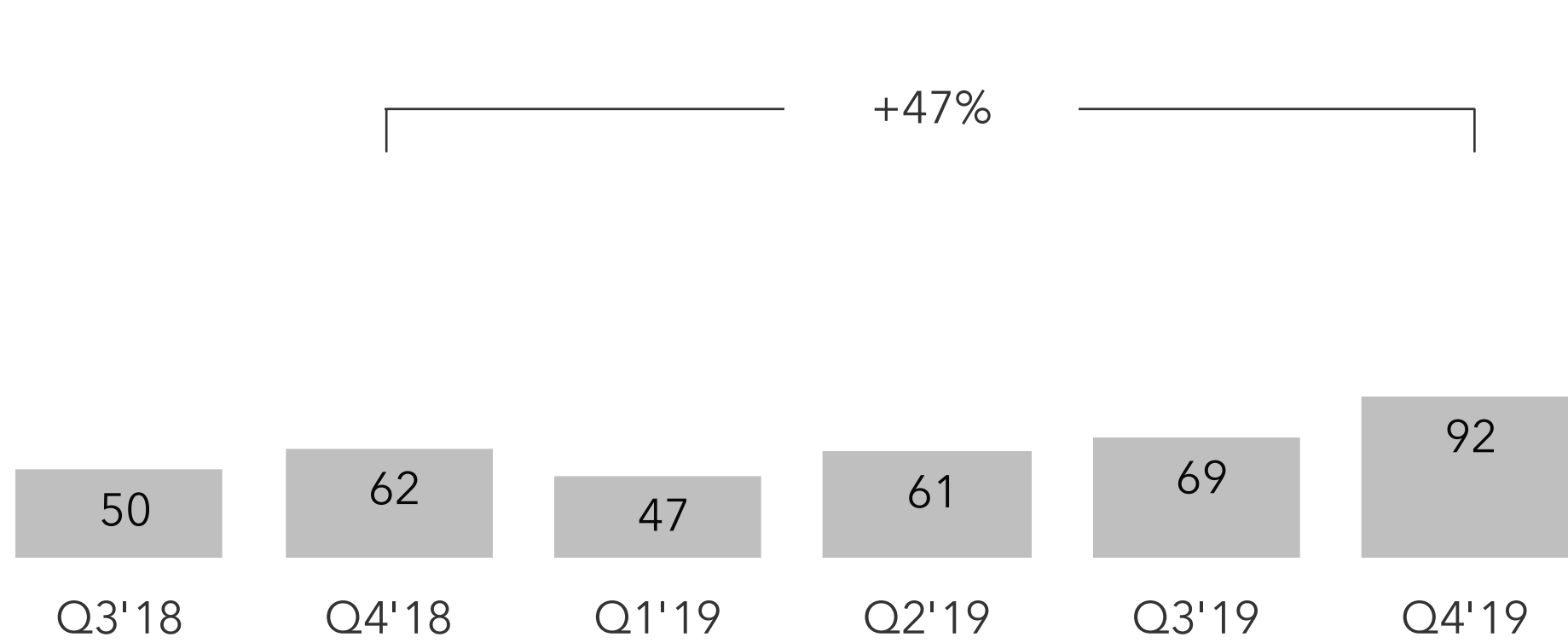
## GLOBAL



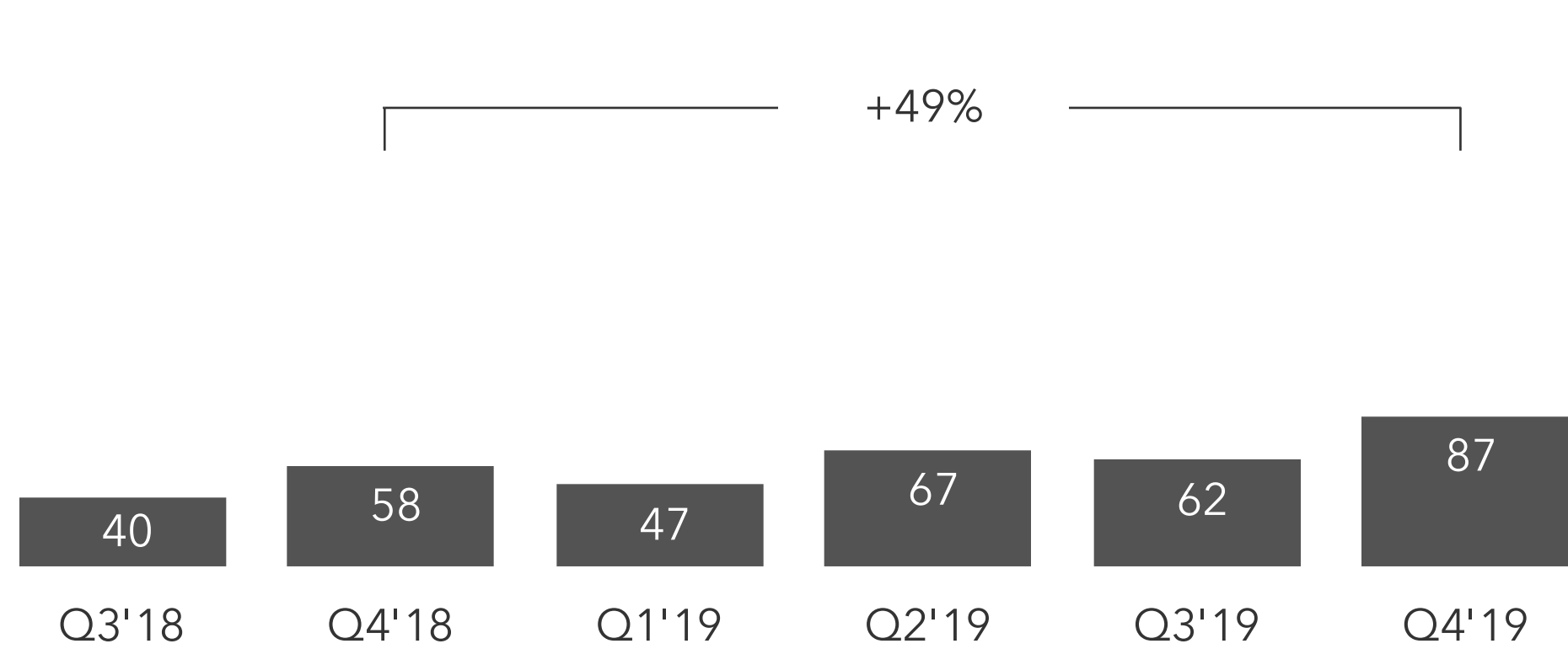
## NORTH AMERICA<sup>1</sup>



## EUROPE<sup>2</sup>



## 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.

<sup>1</sup>North America includes Mexico, the Caribbean, and Central America.

<sup>2</sup>Europe includes Russia and Turkey.

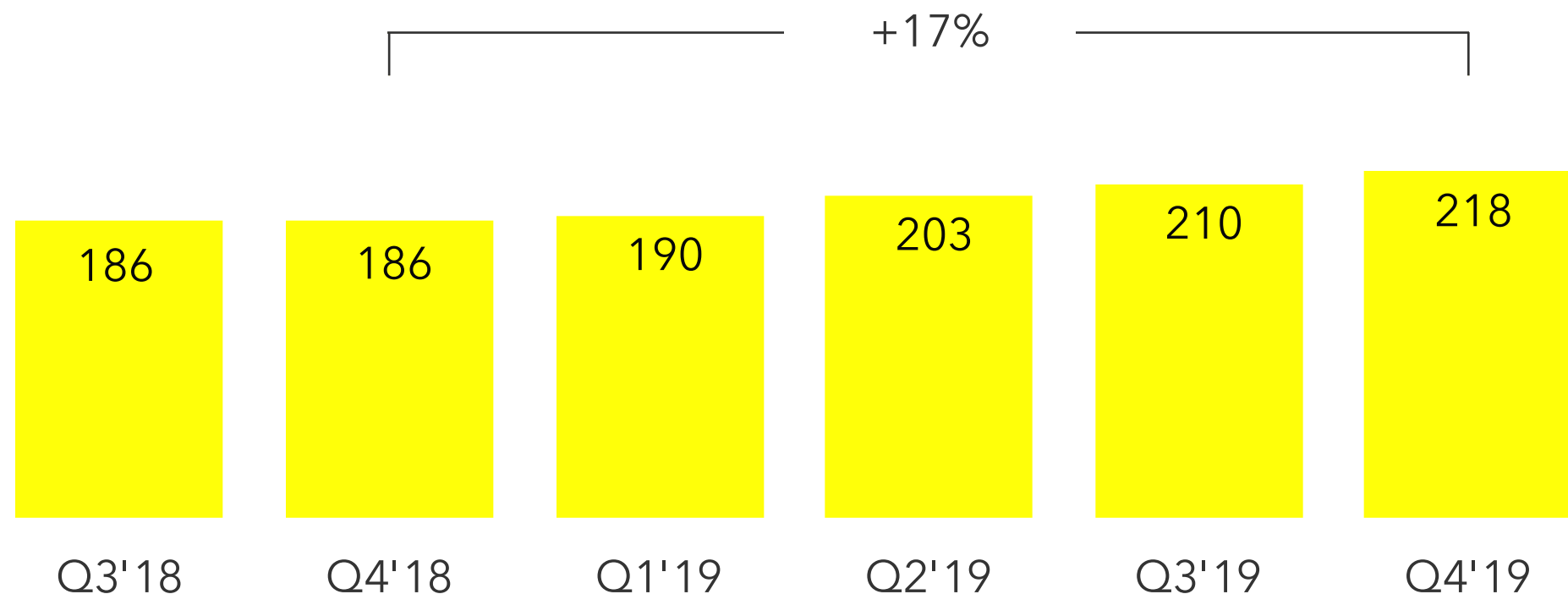
Q4'19 REVENUE INCREASED 44% YoY TO \$561 MILLION  
FULL YEAR REVENUE INCREASED 45% YoY TO \$1.7 BILLION



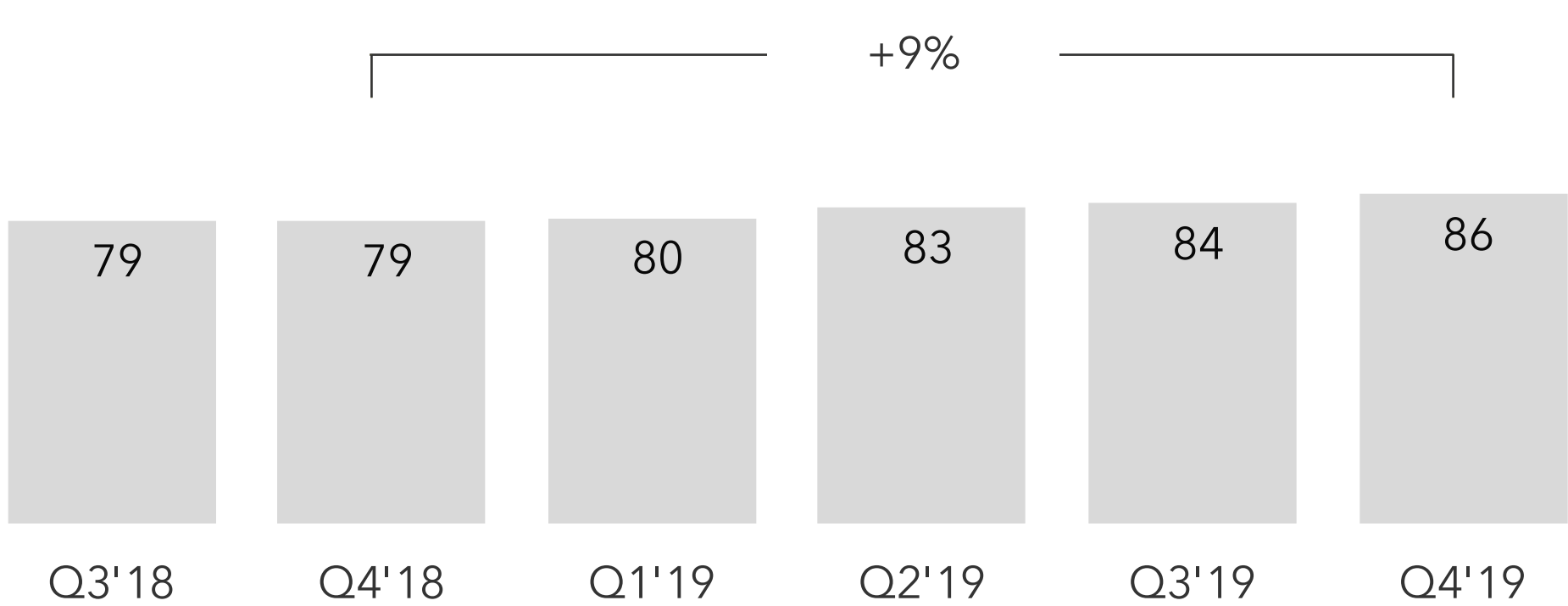
# Average Daily Active Users (DAU)

(in millions, unaudited)

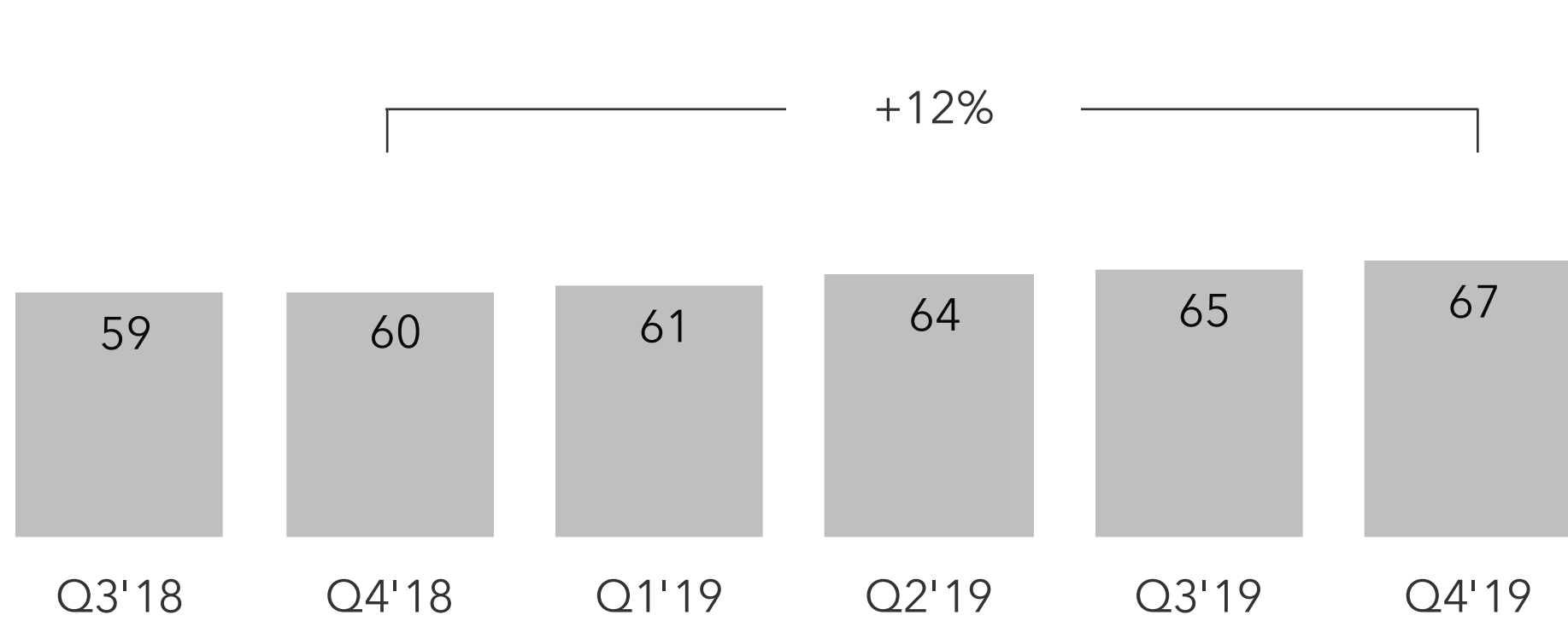
## GLOBAL



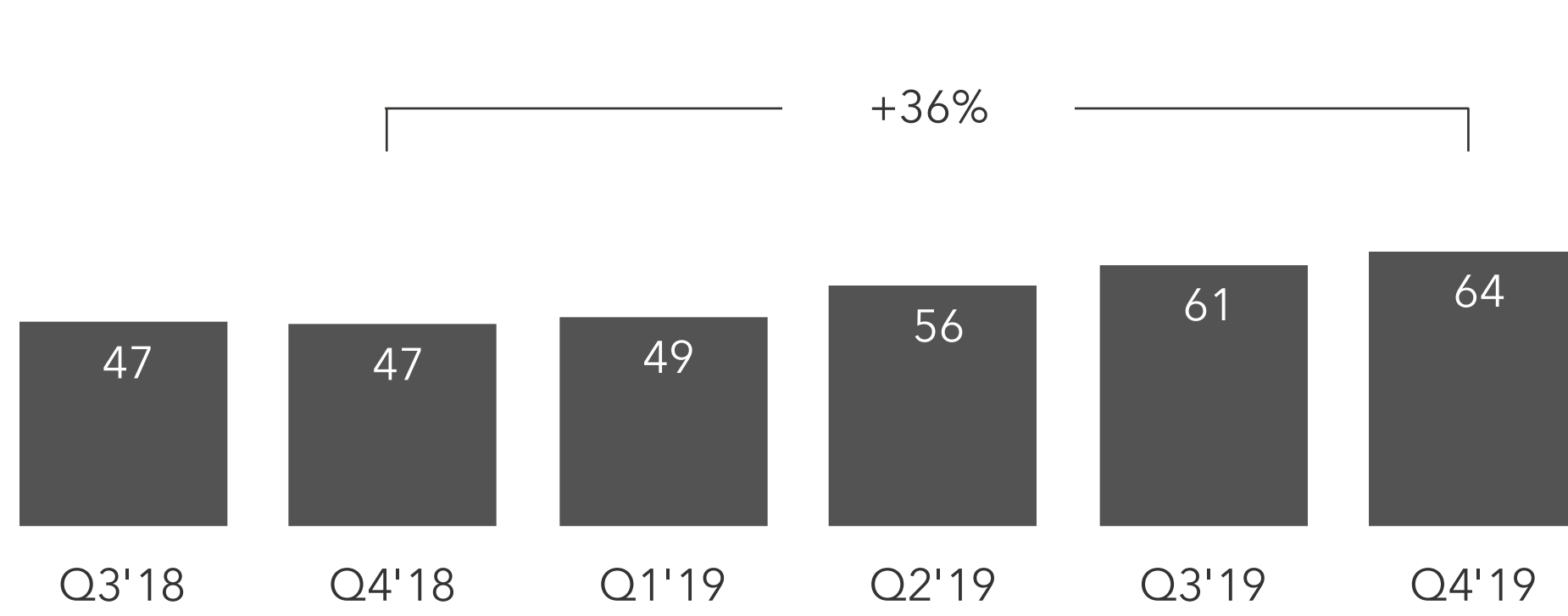
## NORTH AMERICA<sup>1</sup>



## EUROPE<sup>2</sup>



## REST OF WORLD



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.

<sup>1</sup>North America includes Mexico, the Caribbean, and Central America.

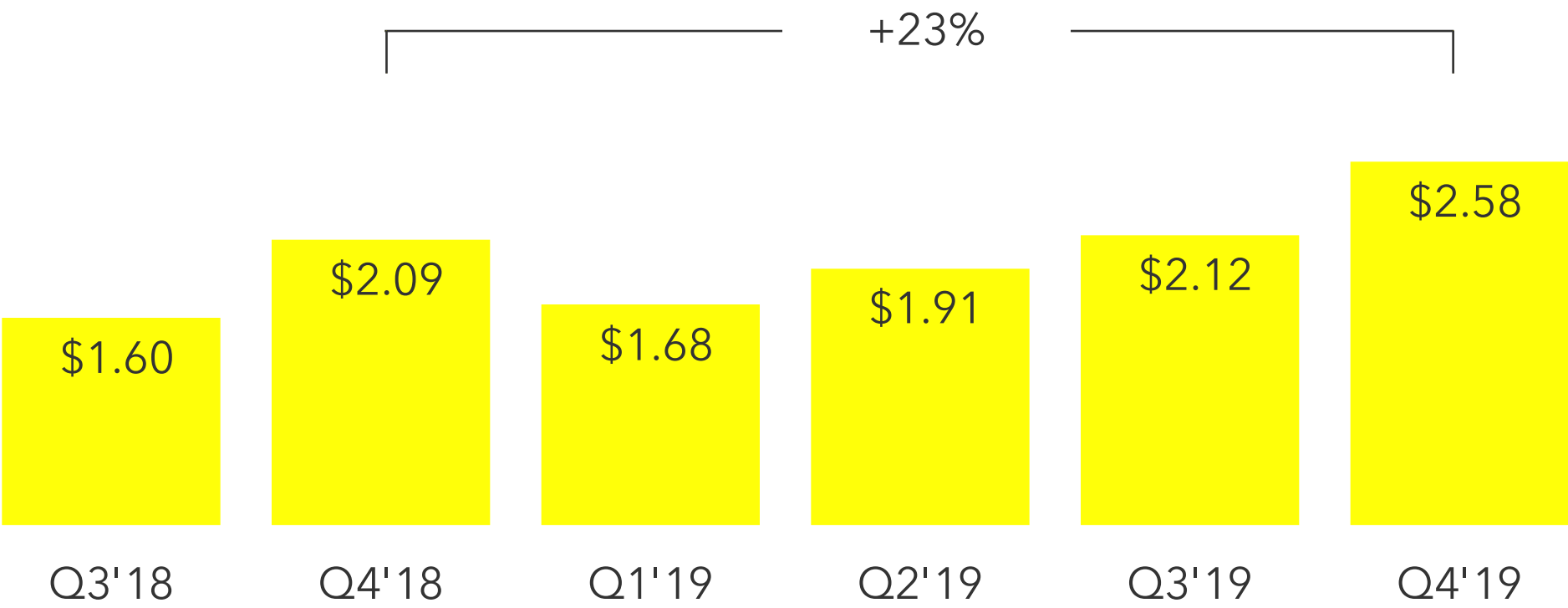
<sup>2</sup>Europe includes Russia and Turkey.

GLOBAL DAU INCREASED 31 MILLION, OR 17% YoY

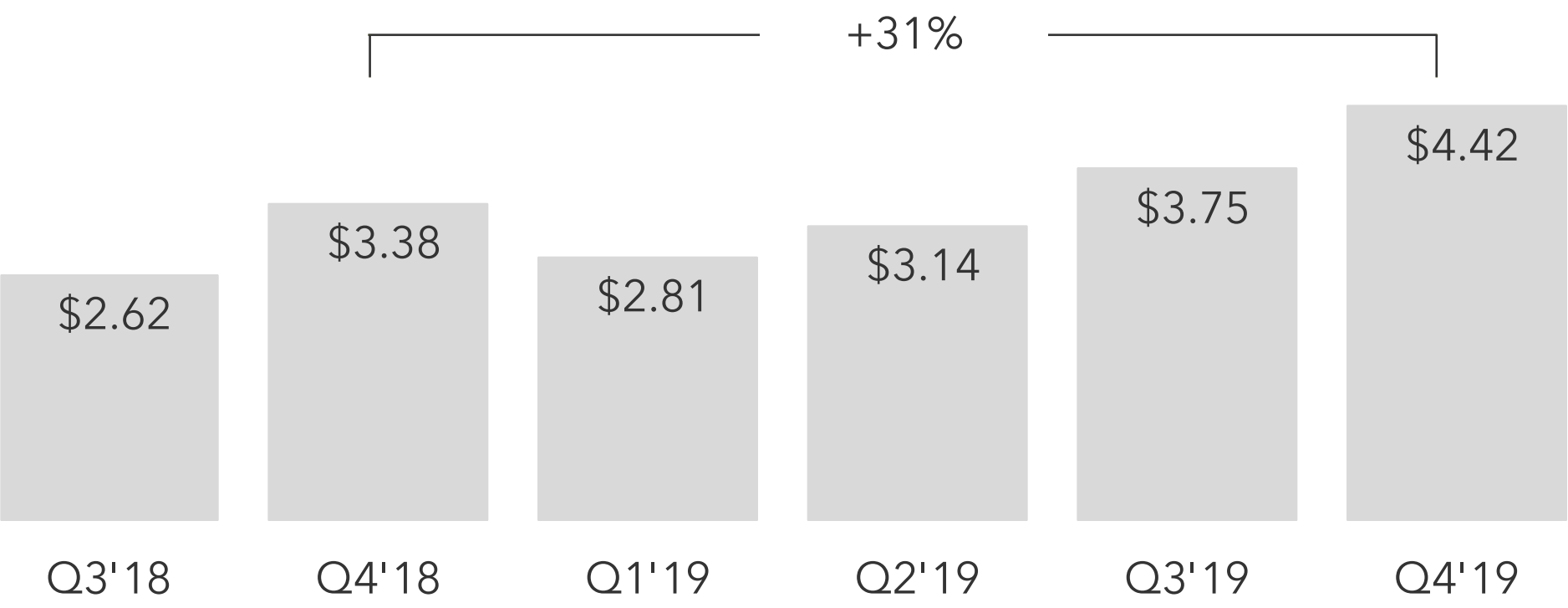
# Average Revenue Per User (ARPU)

(unaudited)

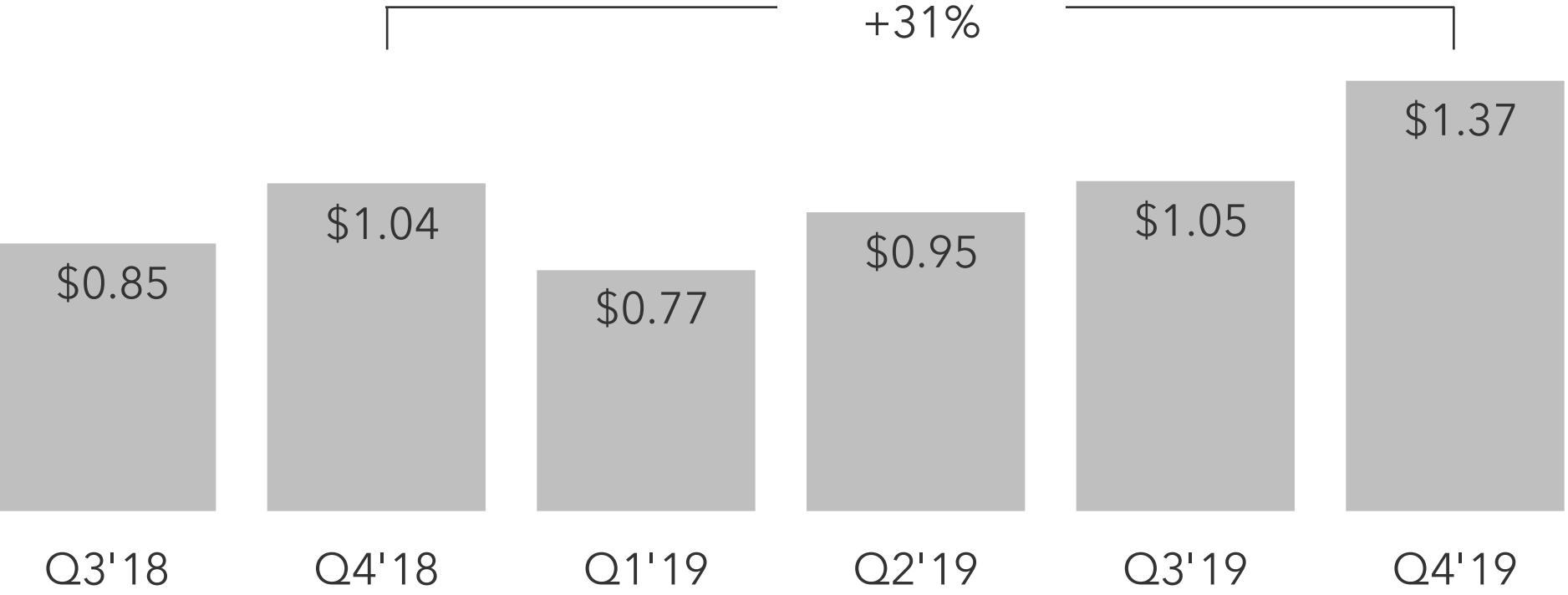
## GLOBAL



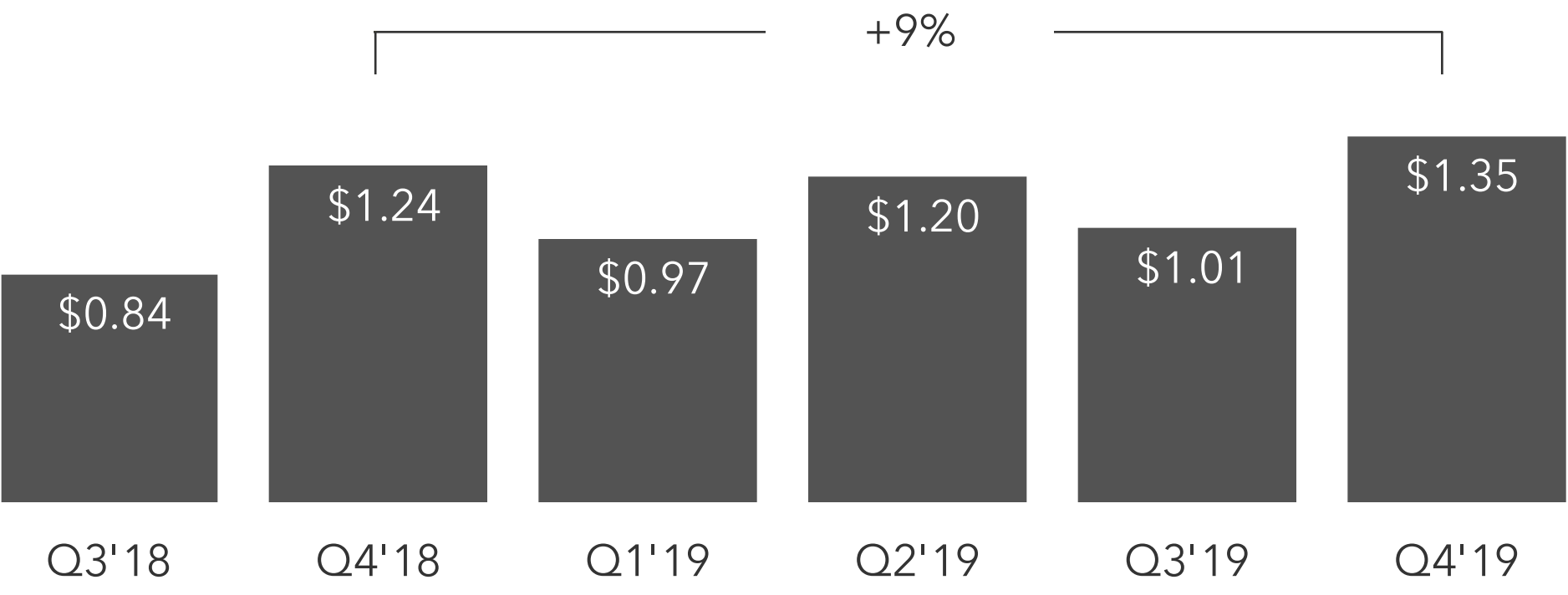
## NORTH AMERICA<sup>1</sup>



## EUROPE<sup>2</sup>



## REST OF WORLD



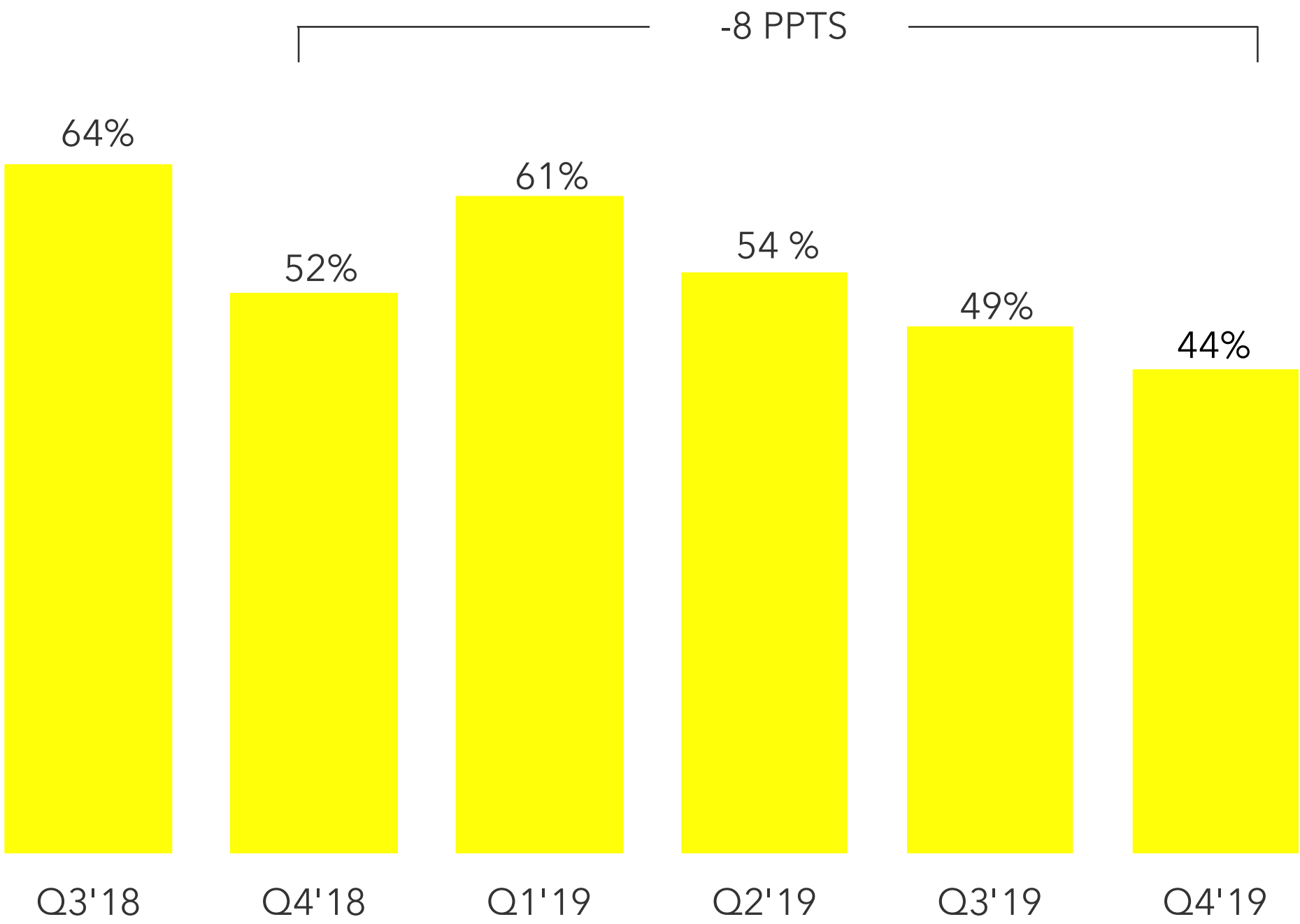
We define ARPU as quarterly revenue divided by the average Daily Active Users. For purposes of calculating ARPU, revenue by user geography is apportioned to each region based on our determination of the geographic location in which advertising impressions are delivered, as this approximates revenue based on user activity.  
<sup>1</sup>North America includes Mexico, the Caribbean, and Central America.  
<sup>2</sup>Europe includes Russia and Turkey.

GLOBAL ARPU INCREASED 23% YoY  
NORTH AMERICA ARPU INCREASED 31% YoY



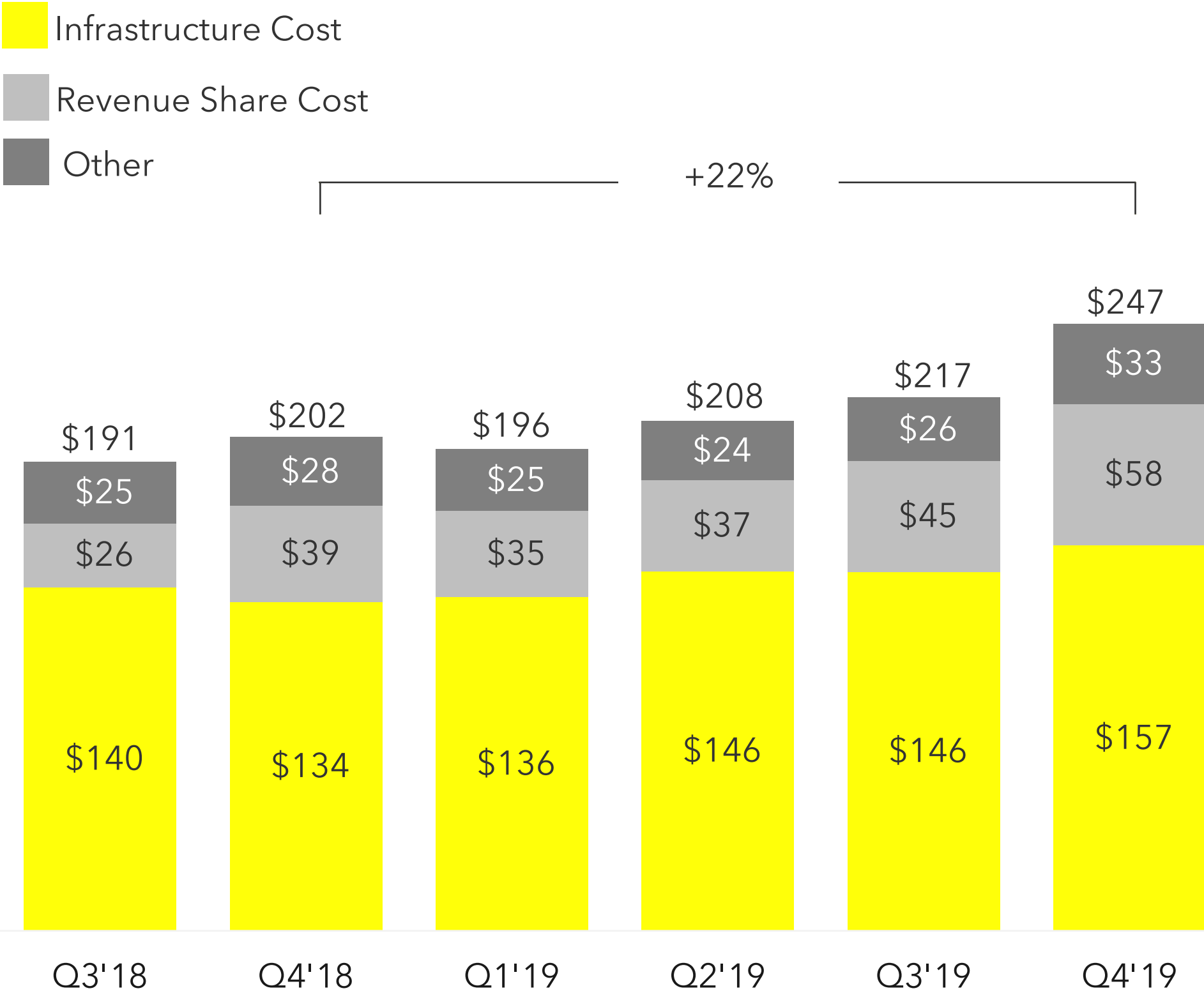
# Cost of Revenue<sup>1</sup>

COST OF REVENUE AS A % OF REVENUE



Gross Margin <sup>1</sup>	36%	48%	39%	46%	51%	56%
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COST OF REVENUE COMPOSITION  
*(in millions, unaudited)*



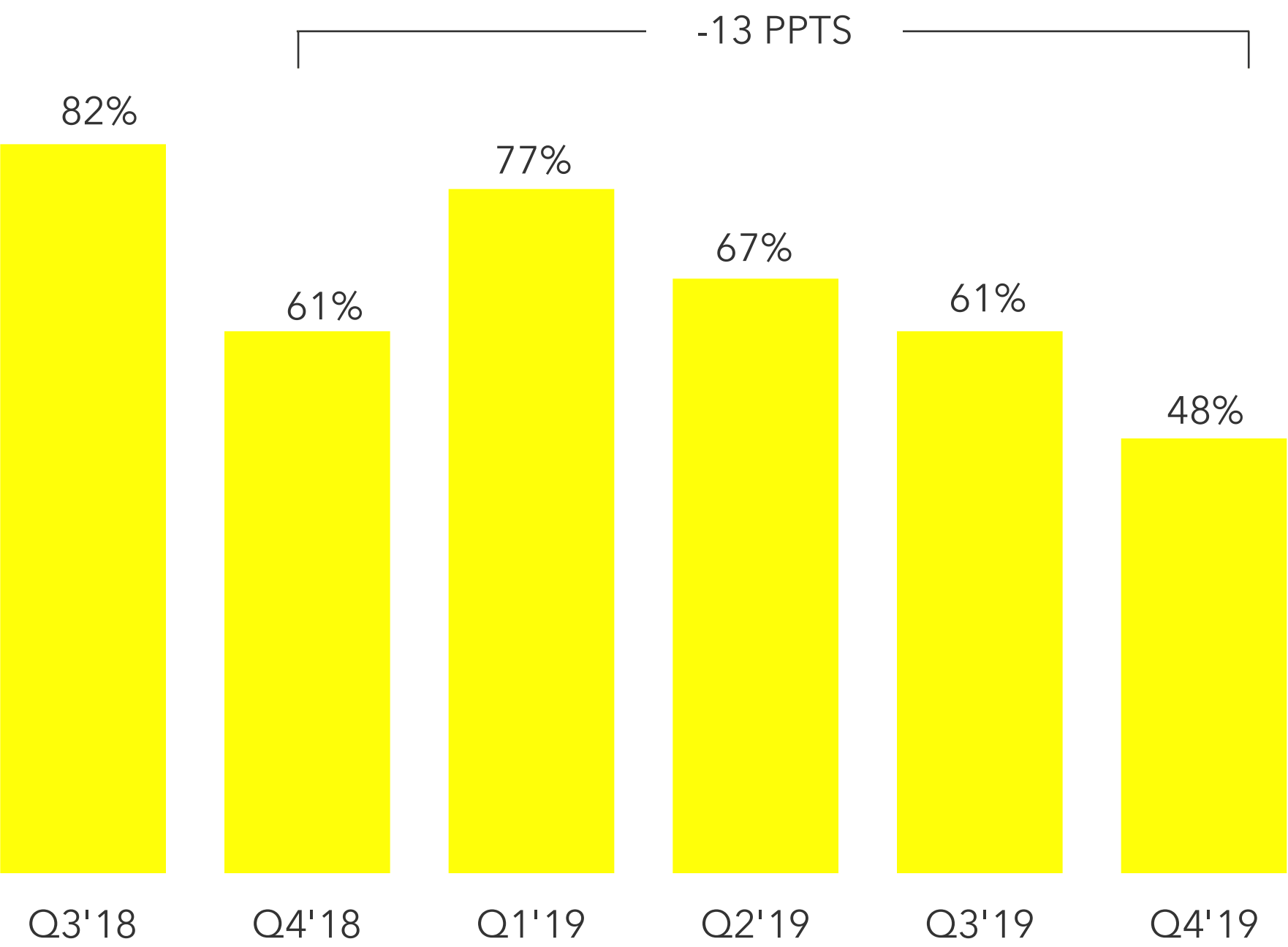
Total Non-GAAP Exclusions <sup>1</sup>	\$7	\$11	\$8	\$8	\$6	\$6
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<sup>1</sup>Excludes stock-based compensation expense and related payroll tax expense, depreciation and amortization, and certain other non-cash or non-recurring items impacting net income (loss) from time to time.

GROSS MARGIN<sup>1</sup> IMPROVED 8 PPTS YOY AND 5 PPTS QoQ

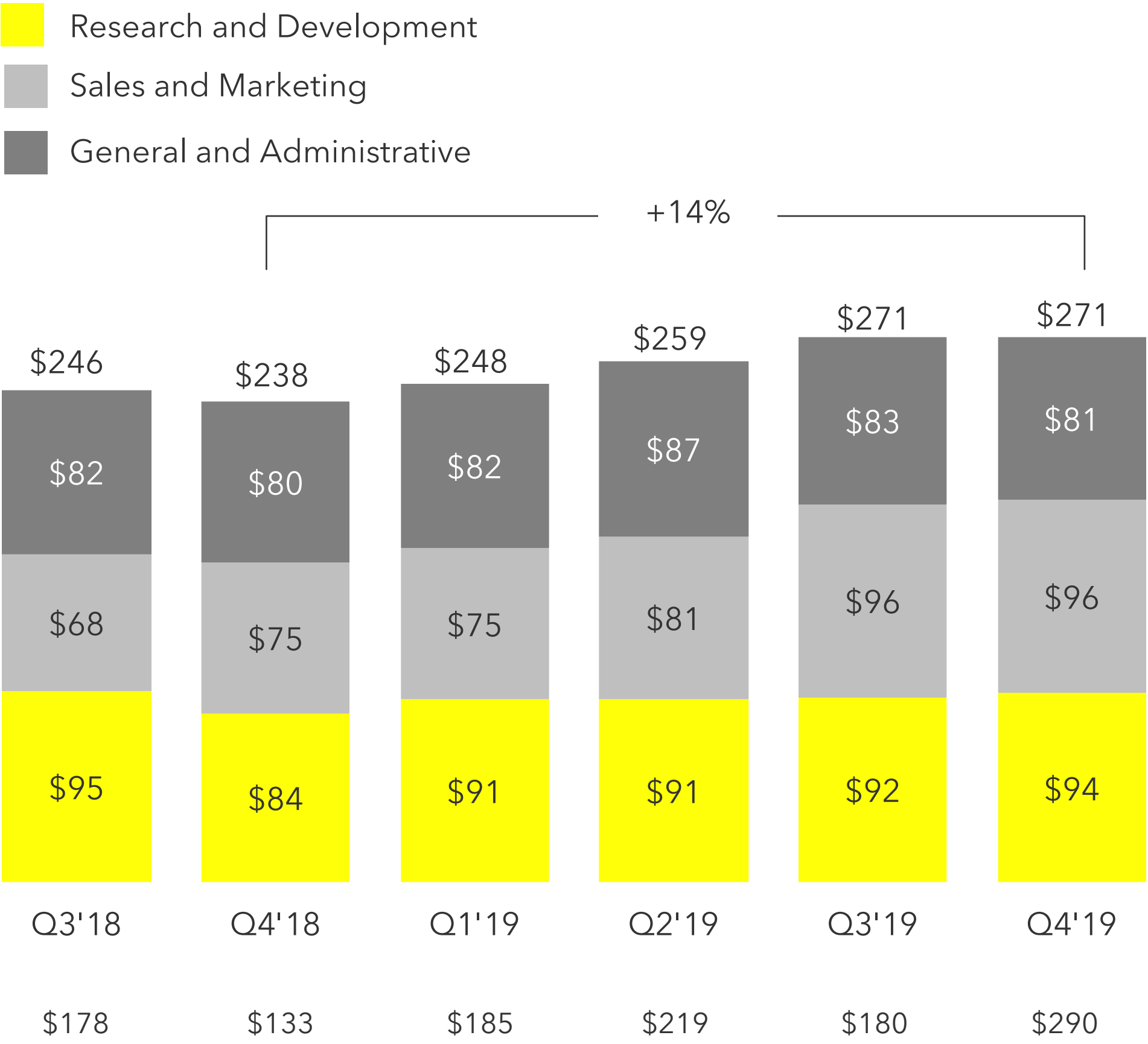
# Operating Expenses<sup>1</sup>

OPERATING EXPENSES AS A % OF REVENUE



OPERATING EXPENSES COMPOSITION

(in millions, unaudited)



Total Non-GAAP Exclusions<sup>1</sup>

\$178    \$133    \$185    \$219    \$180    \$290

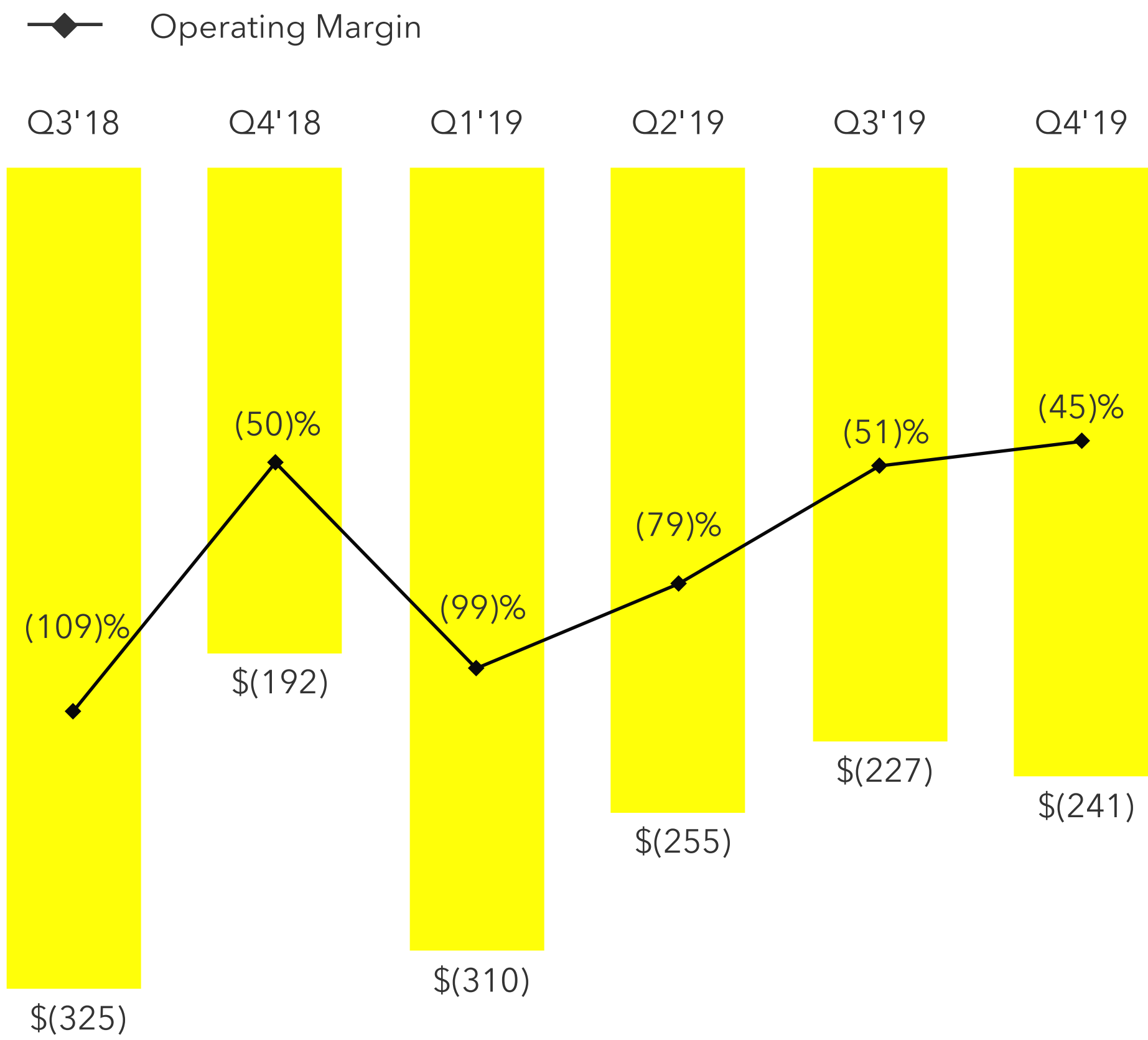
<sup>1</sup>Excludes stock-based compensation expense and related payroll tax expense, depreciation and amortization and certain other non-cash or non-recurring items impacting net income (loss) from time to time. Refer to Appendix for a description of non-recurring items, including securities class actions legal charges, reduction in force charges, and lease exit charges.

OPERATING EXPENSES INCREASED 14% YoY AND WERE FLAT QoQ,  
REVENUE INCREASED 44% YoY AND 26% QoQ

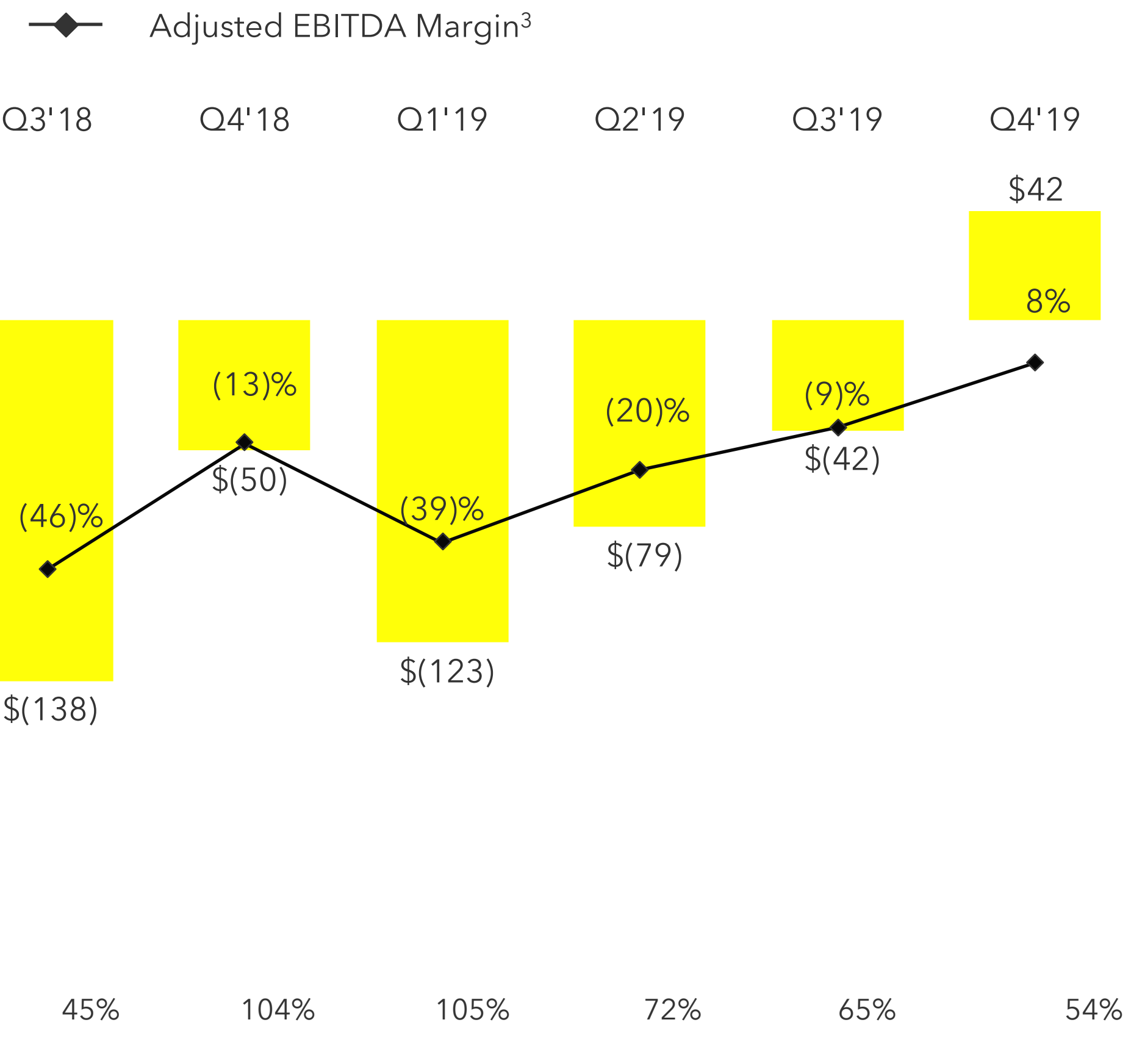
# Net Loss<sup>1</sup> & Adjusted EBITDA<sup>2</sup>

(dollars in millions, unaudited)

## NET LOSS



## ADJUSTED EBITDA



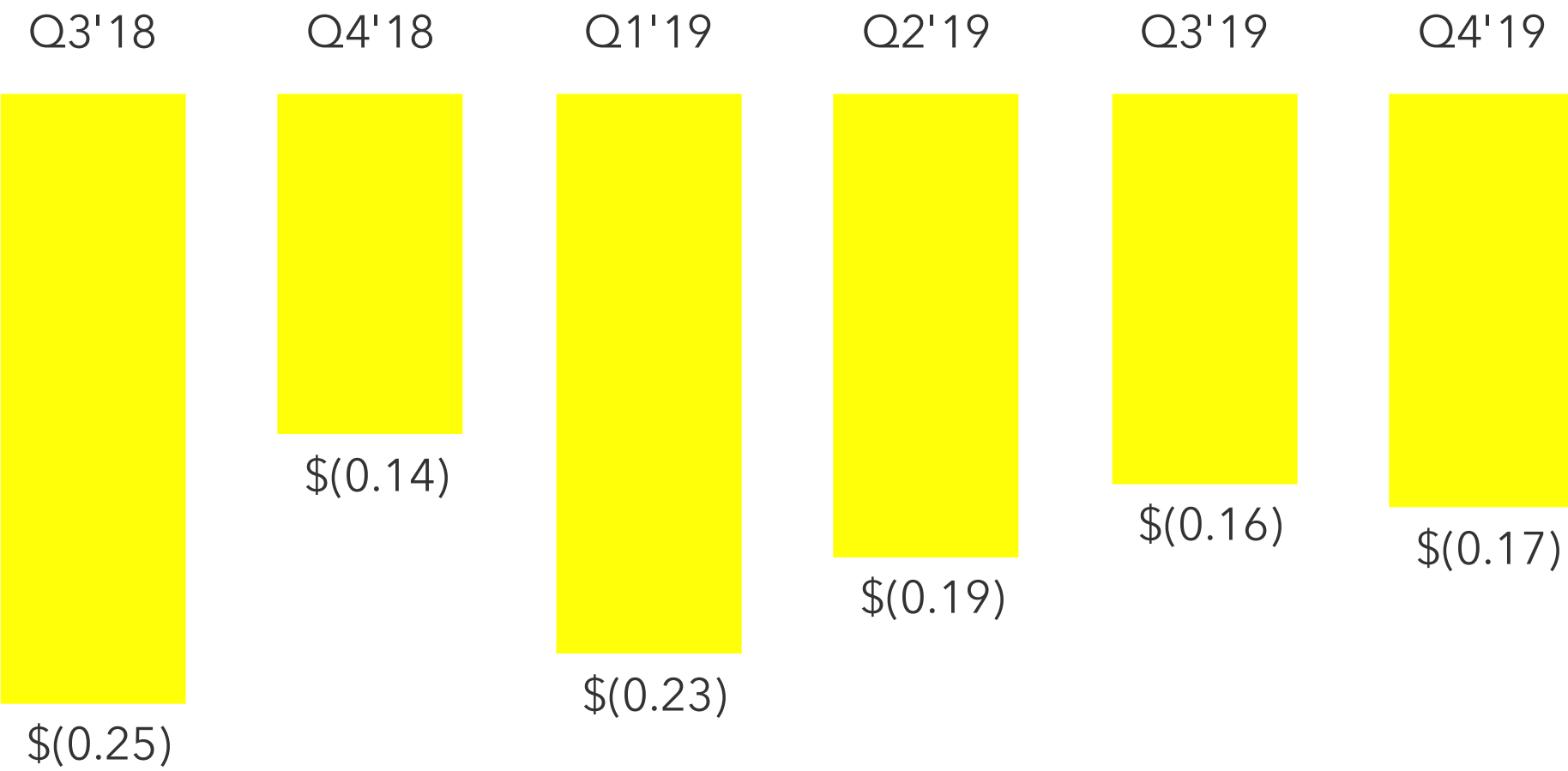
<sup>1</sup>Net Loss in Q4'19 includes \$100 million of non-recurring legal charges. See Appendix for reconciliation of net loss to Adjusted EBITDA.  
<sup>2</sup>We define Adjusted EBITDA as net income (loss), excluding interest income; interest expense; other income (expense), net; income tax benefit (expense); depreciation and amortization; stock-based compensation expense and related payroll tax expense; and certain other non-cash or non-recurring items impacting net income (loss) from time to time. See Appendix for reconciliation of net loss to Adjusted EBITDA.  
<sup>3</sup>We define Adjusted EBITDA margin as Adjusted EBITDA divided by GAAP revenue.  
<sup>4</sup>We define Adjusted EBITDA leverage as the year-over-year change in Adjusted EBITDA divided by the year-over-year change in GAAP revenue.

Q4'19 IS THE FIRST QUARTER OF ADJUSTED EBITDA PROFITABILITY AT \$42 MILLION,  
ADJUSTED EBITDA MARGIN IMPROVED 21 PPTS YoY

# Diluted Net Loss Per Share & Common Shares Outstanding Plus Shares Underlying Stock-Based Awards

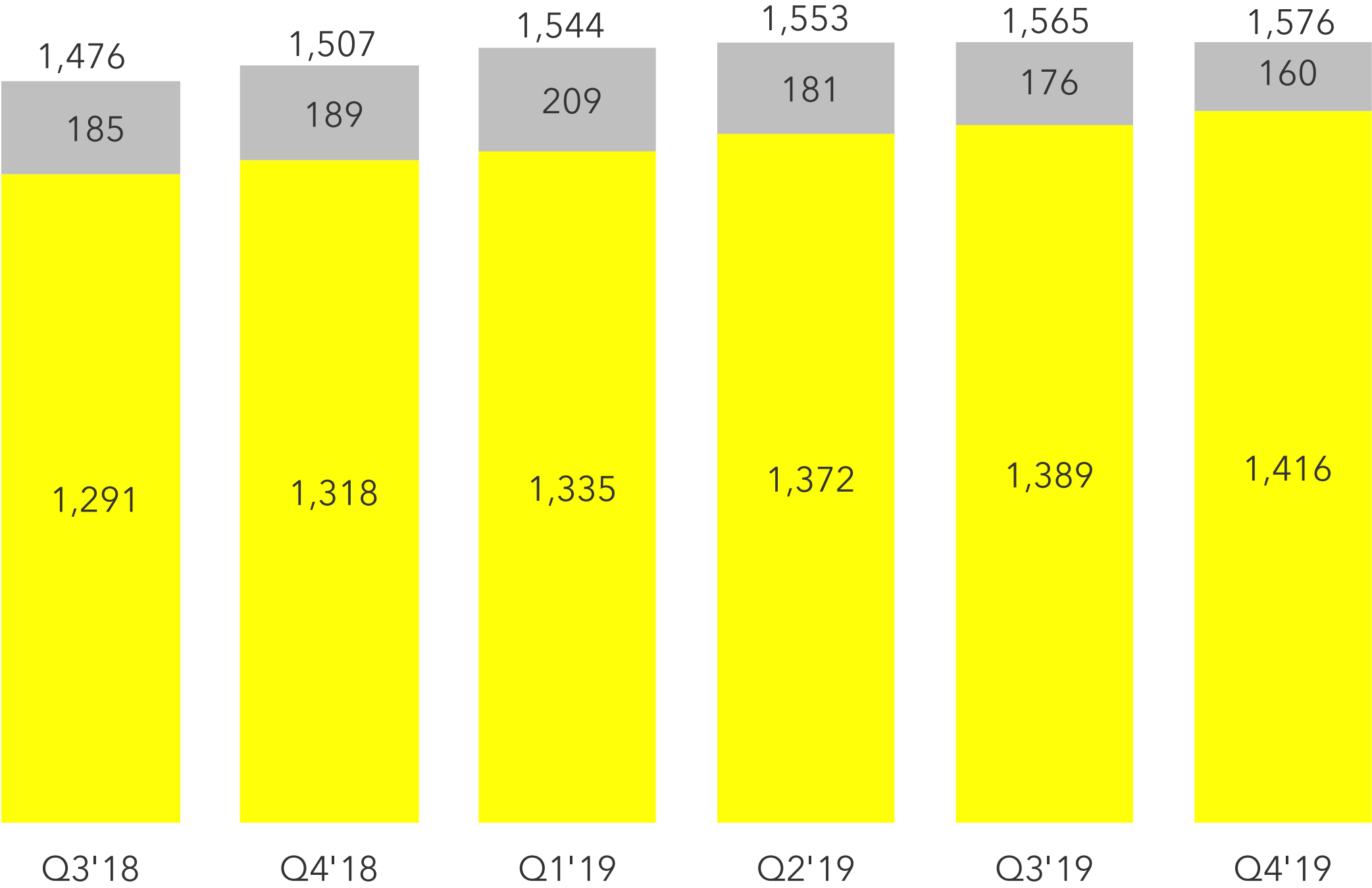
(in millions, except per share data, unaudited)

DILUTED NET LOSS PER SHARE<sup>1</sup>



COMMON SHARES OUTSTANDING PLUS SHARES UNDERLYING STOCK-BASED AWARDS

Common Shares Outstanding  
Shares Underlying Stock-Based Awards<sup>2</sup>

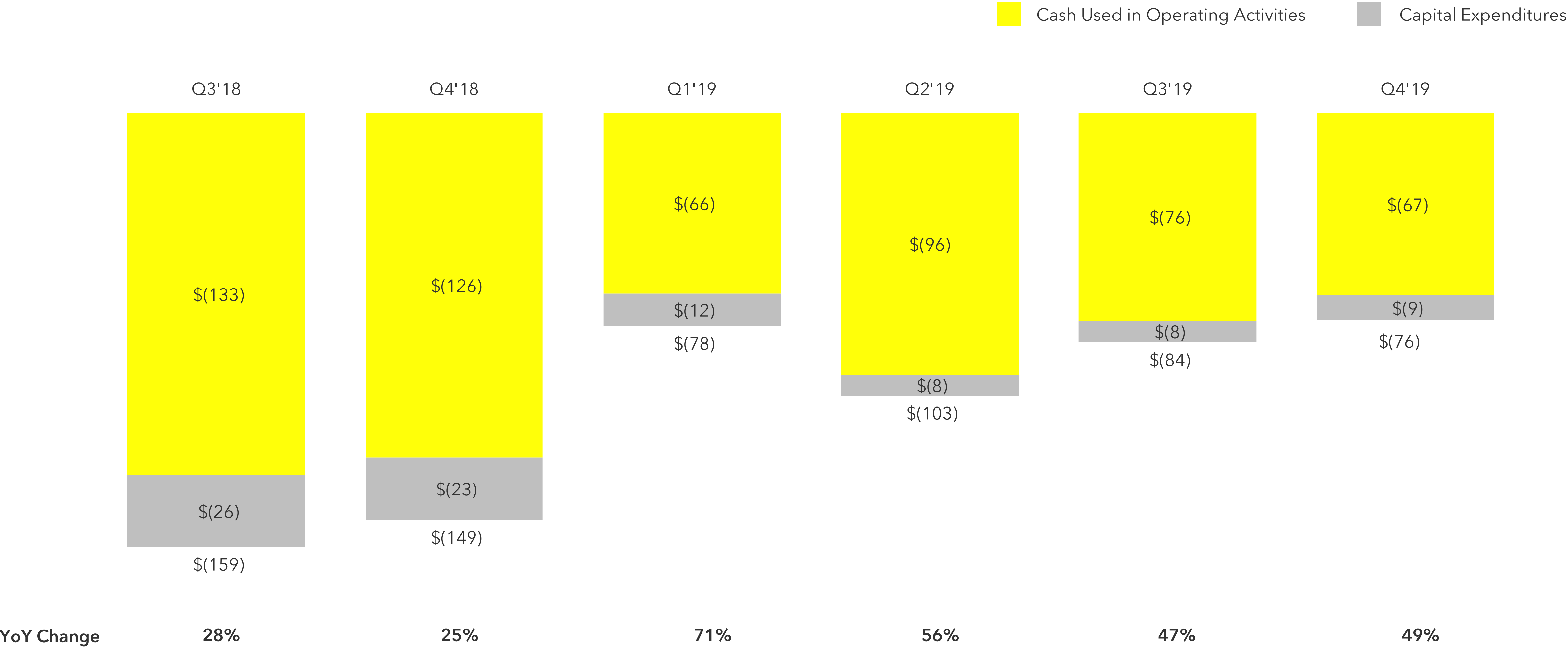


<sup>1</sup>Diluted net loss per share is calculated using weighted average shares outstanding during the period.  
<sup>2</sup>Shares underlying stock-based awards include restricted stock units, restricted stock awards, and outstanding stock options.

DILUTED NET LOSS PER SHARE INCREASED \$(0.03) YoY, BUT IMPROVED \$0.04, EXCLUDING NON-RECURRING SECURITIES CLASS ACTIONS LEGAL CHARGES OF \$100 MILLION

# Free Cash Flow<sup>1</sup>

(in millions, unaudited)



Numbers throughout presentation may not foot due to rounding.  
<sup>1</sup>We define Free Cash Flow as net cash provided by (used in) operating activities, reduced by purchases of property and equipment. See Appendix for reconciliation of net cash used in operating activities to Free Cash Flow.

FREE CASH FLOW IMPROVED 49% YoY

# Financial Guidance

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The following forward-looking statements reflect our expectations for the first quarter of 2020 as of February 4, 2020, and are subject to substantial uncertainty. This guidance assumes constant foreign currency rates, and among other things, that no business acquisitions, investments, restructurings, or legal settlements are concluded in the quarter. Our results are based on assumptions that we believe to be reasonable as of this date, but may be materially affected by many factors, as discussed in “Forward-Looking Statements & Non-GAAP Financial Measures.”

## Q1 2020 Outlook

- Revenue is expected to be between \$450 million and \$470 million, compared to \$320 million in Q1 2019.
- Adjusted EBITDA is expected to be between \$(90) and \$(70) million, compared to \$(123) million in Q1 2019.



Appendix

# Non-GAAP Financial Measures Reconciliation

(in thousands, unaudited)

	Three Months Ended					
	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
<b>Free Cash Flow Reconciliation</b>						
Net cash used in operating activities	\$ (132,543)	\$ (126,054)	\$ (66,178)	\$ (95,789)	\$ (76,149)	\$ (66,842)
Less:						
Purchases of property and equipment	(26,285)	(22,741)	(11,814)	(7,633)	(7,938)	(9,093)
<b>Free Cash Flow<sup>1</sup></b>	<b>\$ (158,828)</b>	<b>\$ (148,795)</b>	<b>\$ (77,992)</b>	<b>\$ (103,422)</b>	<b>\$ (84,087)</b>	<b>\$ (75,935)</b>

	Three Months Ended					
	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
<b>Adjusted EBITDA Reconciliation</b>						
Net loss	\$ (325,148)	\$ (191,668)	\$ (310,407)	\$ (255,174)	\$ (227,375)	\$ (240,704)
Add (deduct):						
Interest income	(7,011)	(7,513)	(7,816)	(7,446)	(10,317)	(10,463)
Interest expense	919	1,111	756	809	8,654	14,775
Other (income) expense, net	7,625	3,715	1,127	(44,085)	1,481	(17,536)
Income tax (benefit) expense	244	(352)	279	1,078	(1,296)	332
Depreciation and amortization	24,898	22,682	23,319	22,660	20,646	20,620
Stock-based compensation expense	126,809	121,772	162,556	195,574	161,228	166,655
Payroll tax expense related to stock-based compensation	3,947	2,015	6,737	7,871	4,604	8,628
Securities class actions legal charges	-	-	-	-	-	100,000
Lease exit charges	29,340	(2,125)	-	-	-	-
<b>Adjusted EBITDA<sup>2</sup></b>	<b>\$ (138,377)</b>	<b>\$ (50,363)</b>	<b>\$ (123,449)</b>	<b>\$ (78,713)</b>	<b>\$ (42,375)</b>	<b>\$ 42,307</b>

<sup>1</sup> We define Free Cash Flow as net cash provided by (used in) operating activities, reduced by purchases of property and equipment.

<sup>2</sup>We define Adjusted EBITDA as net income (loss), excluding interest income; interest expense; other income (expense), net; income tax benefit (expense); depreciation and amortization; stock-based compensation expense and related payroll tax expense; and certain other non-cash or non-recurring items impacting net income (loss) from time to time. Securities class actions legal charges related to a preliminary agreement to settle the securities class actions that arose following our IPO. Charges recorded are net of amounts directly covered by insurance. Lease exit charges were related to our exit of various operating leases prior to the end of the contractual lease term. The lease exit charges primarily include the present value of our remaining lease obligation on the cease use dates that occurred during the quarter, net of estimated sublease income. These charges are non-recurring and not reflective of underlying trends in our business.

# Non-GAAP Financial Measures Reconciliation (Continued)

(in thousands, except per share amounts, unaudited)

Three Months Ended						
	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
<b>Non-GAAP net income (loss) reconciliation</b>						
Net loss	\$ (325,148)	\$ (191,668)	\$ (310,407)	\$ (255,174)	\$ (227,375)	\$ (240,704)
Amortization of intangible assets	10,610	10,441	10,369	9,048	6,915	7,067
Stock-based compensation expense	126,809	121,772	162,556	195,574	161,228	166,655
Payroll tax expense related to stock-based compensation	3,947	2,015	6,737	7,871	4,604	8,628
Securities class actions legal charges	-	-	-	-	-	100,000
Gain on divestiture	-	-	-	(39,883)	-	-
Lease exit charges	29,340	(2,125)	-	-	-	-
Income tax adjustments	(253)	84	(115)	376	200	289
<b>Non-GAAP net income (loss)<sup>1</sup></b>	<b>\$ (154,695)</b>	<b>\$ (59,481)</b>	<b>\$ (130,860)</b>	<b>\$ (82,188)</b>	<b>\$ (54,428)</b>	<b>\$ 41,935</b>
<b>Weighted-average common shares - Diluted</b>						
	<b>1,309,918</b>	<b>1,324,858</b>	<b>1,340,615</b>	<b>1,362,544</b>	<b>1,392,864</b>	<b>1,409,519</b>

Three Months Ended						
	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
<b>Non-GAAP diluted net income (loss) per share reconciliation</b>						
GAAP diluted net loss per share	\$ (0.25)	\$ (0.14)	\$ (0.23)	\$ (0.19)	\$ (0.16)	\$ (0.17)
Non-GAAP adjustment to net loss	0.13	0.10	0.13	0.13	0.12	0.20
<b>Non-GAAP diluted net income (loss) per share<sup>1</sup></b>	<b>\$ (0.12)</b>	<b>\$ (0.04)</b>	<b>\$ (0.10)</b>	<b>\$ (0.06)</b>	<b>\$ (0.04)</b>	<b>\$ 0.03</b>

<sup>1</sup> We define Non-GAAP Net income (loss) as net income (loss); excluding amortization of intangible assets; stock-based compensation expense and related payroll tax expense; certain other non-cash or non-recurring items impacting net income (loss) from time to time; and related income tax adjustments. Non-recurring items include securities class actions legal charges and lease exit charges as described in the preceding slide. Non-GAAP Net Loss and weighted average diluted shares are then used to calculate Non-GAAP diluted net Income (loss) per share.

# Note Regarding User Metrics and Other Data

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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. 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 grow 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 address these technical issues and improve both our accuracy and precision, including ensuring our investors and others can understand the factors impacting our business, but these 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 exclude those users and estimate their ages based on a sample of the self-reported ages we do have. If our DAUs 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)

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In the past we have relied on third-party analytics providers to calculate our metrics, but today we rely primarily on our analytics platform that we developed and operate. We count a DAU only when a user opens the application and only once per user per day. We believe this methodology 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 thus is a Daily Active User. 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 Daily Active Users or other metrics may not be comparable to those in prior periods. Our measures of Daily Active Users may differ from estimates published by third parties or from similarly titled metrics of our competitors due to differences in methodology or data used.