

Snap Inc.

Q1 2019 Earnings Slides

April 23, 2019

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, 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 annual report on Form 10-K filed with the SEC, which is available on the SEC’s website at www.sec.gov. Additional information will be made available in our quarterly report on Form 10-Q for the quarter ended March 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.

First Quarter Financial Highlights

Cash

- Operating cash flow improved \$166 million YoY to \$(66) million.
- Free Cash Flow improved \$190 million YoY to \$(78) million.
- Change in cash balance improved \$151 million YoY to \$(70) million.

Revenue

- Revenue increased 39% YoY to \$320 million.
- Average revenue per user increased 39% YoY to \$1.68.

Operating Performance

- Gross margin¹ increased to 39%, compared to 17% in Q1 2018.
- Operating loss improved \$76 million YoY to \$(316) million.
- Net loss improved \$75 million YoY to \$(310) million.
- Adjusted EBITDA improved \$94 million YoY to \$(123) million.
- Adjusted EBITDA margin improved to (39)%, compared to (94)% in Q1 2018.
- Adjusted EBITDA leverage improved to 105%, compared to (37)% in Q1 2018.

¹Excludes 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.

Business Highlights

We started the year increasing Daily Active Users and enhancing engagement across key metrics:

- DAUs were 190 million in Q1 2019, compared to 186 million in Q4 2018 and 191 million in Q1 2018.
- As of March, Snapchat reaches 90% of all 13-24 year-olds and 75% of all 13-34 year-olds in the U.S.

We fully rolled out the new build of our Android application:

- As of the end of Q1, our new Android application is available to everyone.
- The new app is 25% smaller, opens 20% faster on average, and is modularized for more efficient ongoing innovation.
- On lower-performing devices, this resulted in a 6% increase in the number of users sending Snaps within the first week of upgrading to the new Android build.

On April 4th, we hosted the first ever Snap Partner Summit to celebrate our partners and to come together in person to share some of the latest innovations we brought to our platform. These include:

- Games - We unveiled Snap Games -- an all-new live, multi-player gaming experience featuring our original game Bitmoji Party and select third-party games.
- Augmented Reality - We introduced a number of augmented reality (AR) innovations, including Landmarkers, AR Bar, and Scan.
- Snap Kit - We added new features to Snap Kit, enabling our app partners to utilize the best features in Snapchat, including App Stories, Creative Kit Web, and Snap Audience Network.
- Discover - We announced a new slate of ten Snap Original Shows, our premium, mobile shows created exclusively for Snapchat's audience, which will begin airing in May 2019, and renewed three of our most popular Snap Original Shows, including "The Dead Girls Detective Agency," "Endless Summer," and "Deep Creek."

Business Highlights

We've enhanced Discover's high quality, made-for-mobile video offering across the Snapchat platform:

- In Q1 2019, nearly half of our daily Discover viewers watched Discover every day of the week.
- We now offer more than 450 premium content channels worldwide.
- In the past six months, we've more than doubled the number of localized media partners outside of the U.S.
- In Q1 2019 alone, we launched over 50 new Shows and Publisher Stories in international markets.
- In March, our partners increased their total mobile monthly audience in the U.S. by an average of more than 30% just by publishing to Discover, as measured by ComScore.

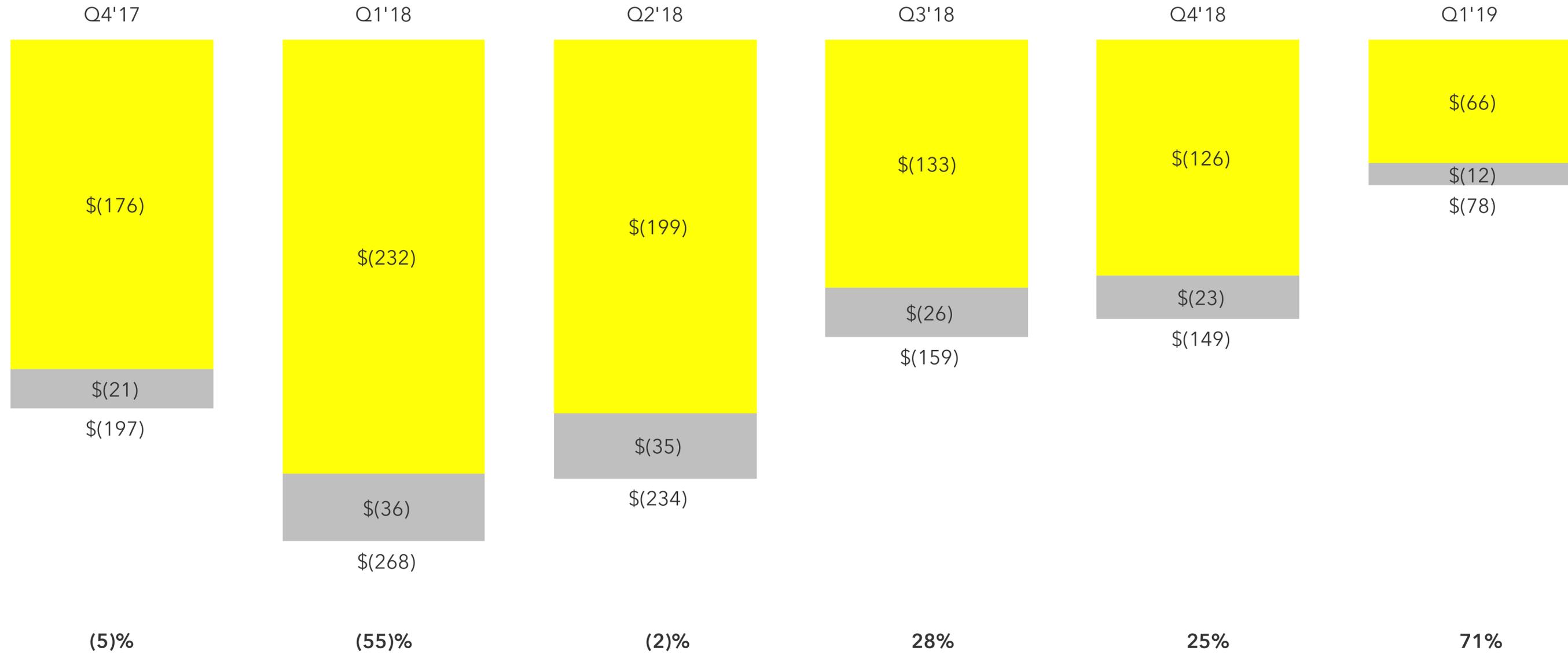
We have made major strides in building our platform capabilities to drive improved outcomes for advertisers:

- We made several updates to our self-serve tool, Ads Manager, including enhancing advanced features such as target cost bidding, new bulk uploading capabilities, bulk editing and cloning, and the expansion of location categories to the UK, Canada, and France.
- We continue to invest in brand-focused buying tools; our Reach & Frequency product now allows for one-day buys (the previous minimum was three) and has been expanded to the UK, Canada, and France.
- Toyota ran a sophisticated campaign across our various video and AR products to promote the Corolla Hatchback among Millennials. Snapchatters engaged with the ads, watching more than 90% of their Commercials on average, and playing with their Lenses for more than 10 seconds each on average.

Free Cash Flow¹

(in millions, unaudited)

■ Cash Used in Operating Activities
 ■ Capital Expenditures



Numbers throughout presentation may not foot due to rounding.

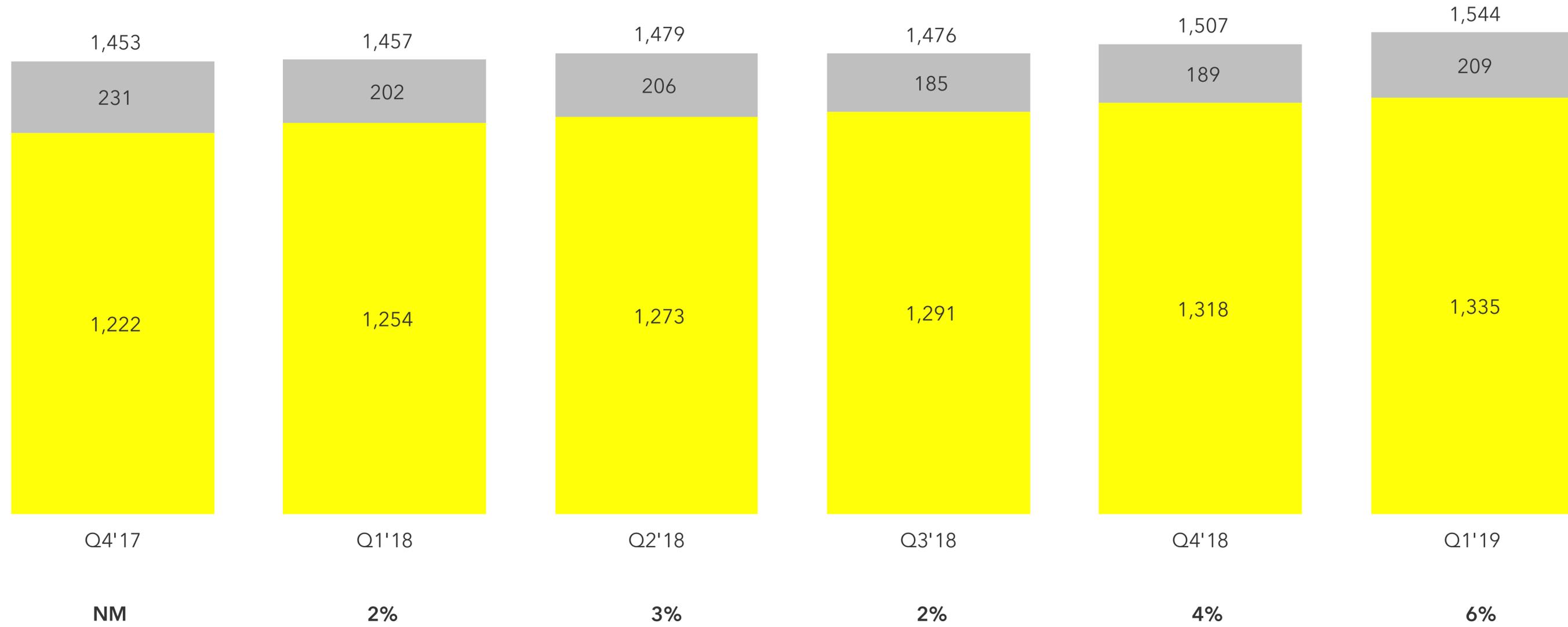
¹We define Free Cash Flow as net cash provided by (used in) operating activities, reduced by purchases of property and equipment. See Appendix for reconciliation of net cash used in operating activities to Free Cash Flow.

OPTIMIZING LONG-TERM FREE CASH FLOW; FREE CASH FLOW IMPROVED 71% YoY AND 48% QoQ

Common Shares Outstanding Plus Shares Underlying Stock-Based Awards

(in millions, unaudited)

Common Shares Outstanding Shares Underlying Stock-Based Awards¹



¹Shares underlying stock-based awards include restricted stock units, restricted stock awards, and outstanding stock options.

FOCUSED ON MANAGING DILUTION OVER THE LONG TERM

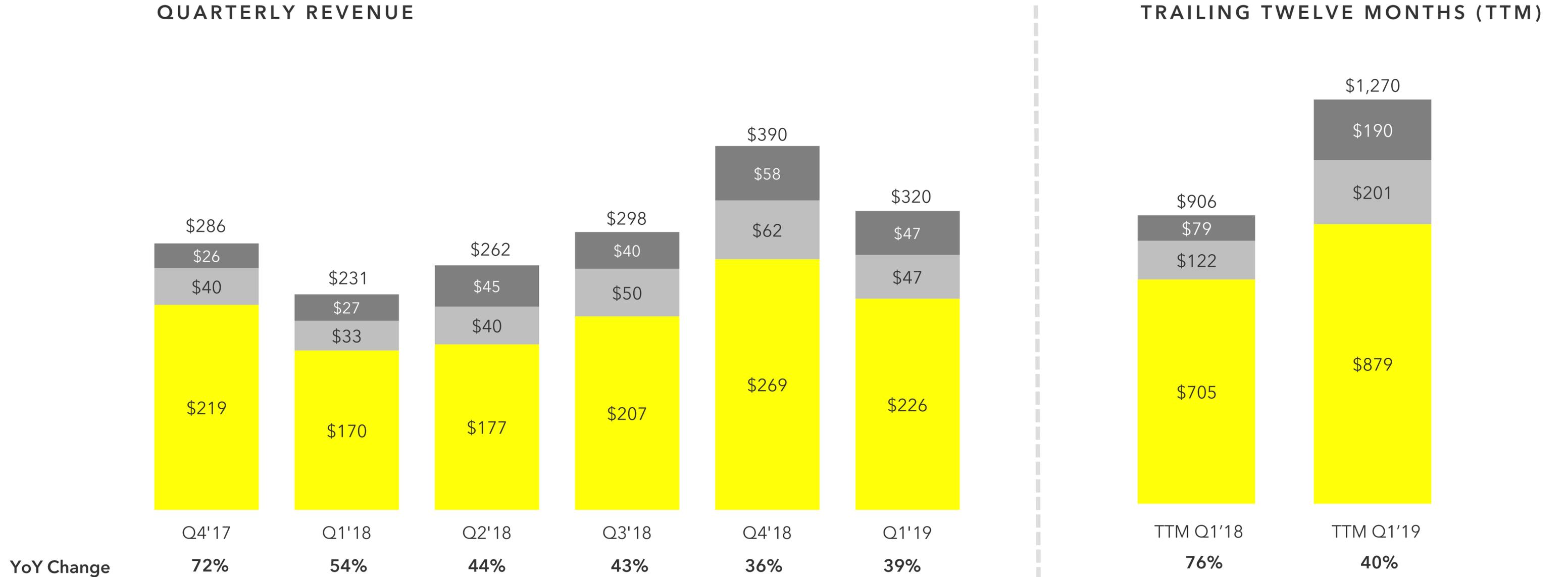
Revenue by Geography

(in millions, unaudited)

■ North America¹
■ Europe²
■ Rest of World

QUARTERLY REVENUE

TRAILING TWELVE MONTHS (TTM)



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.

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

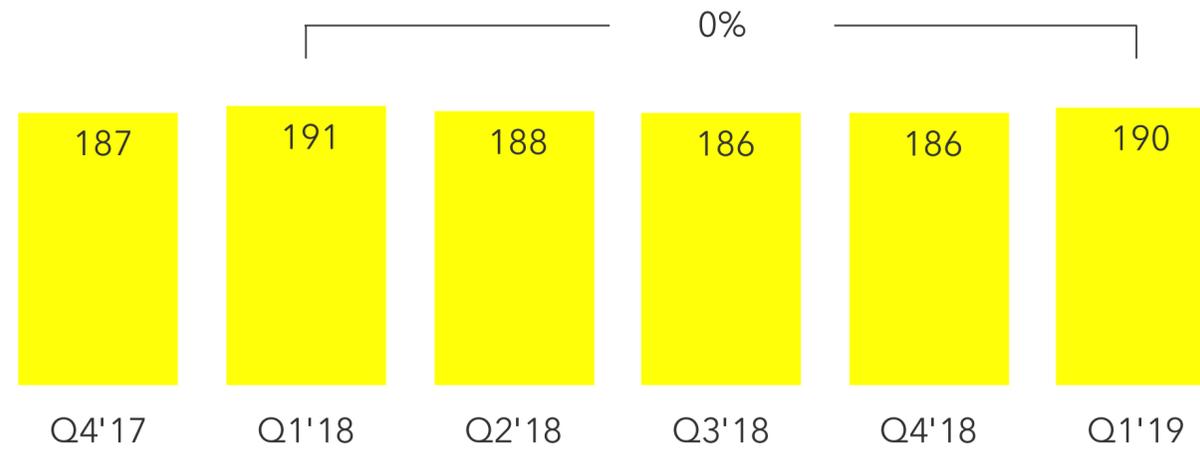
²Europe includes Russia and Turkey.

REVENUE UP 39% YoY AND DOWN 18% QoQ; TRAILING TWELVE MONTHS REVENUE INCREASED 40% TO \$1.3 BILLION

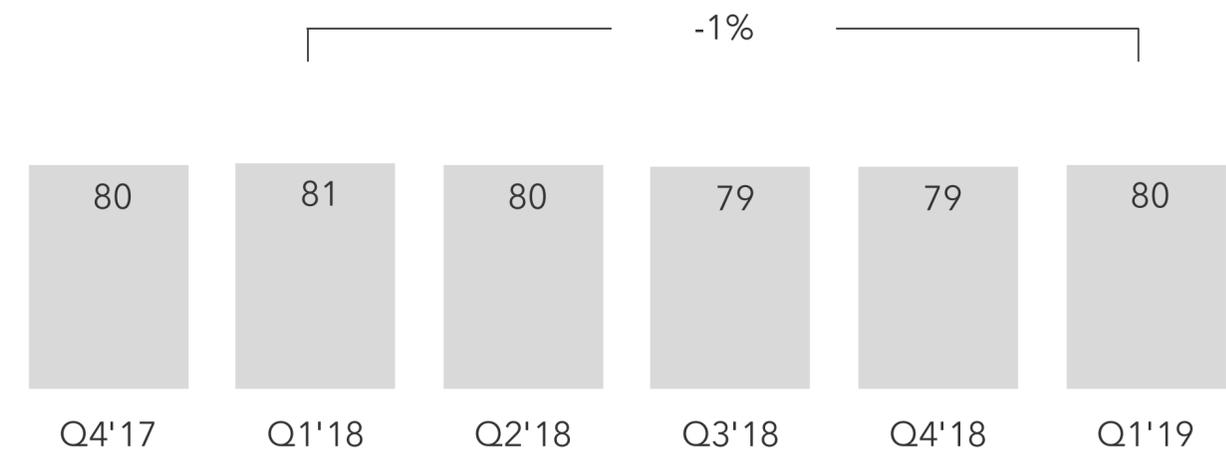
Average Daily Active Users (DAU)

(in millions, unaudited)

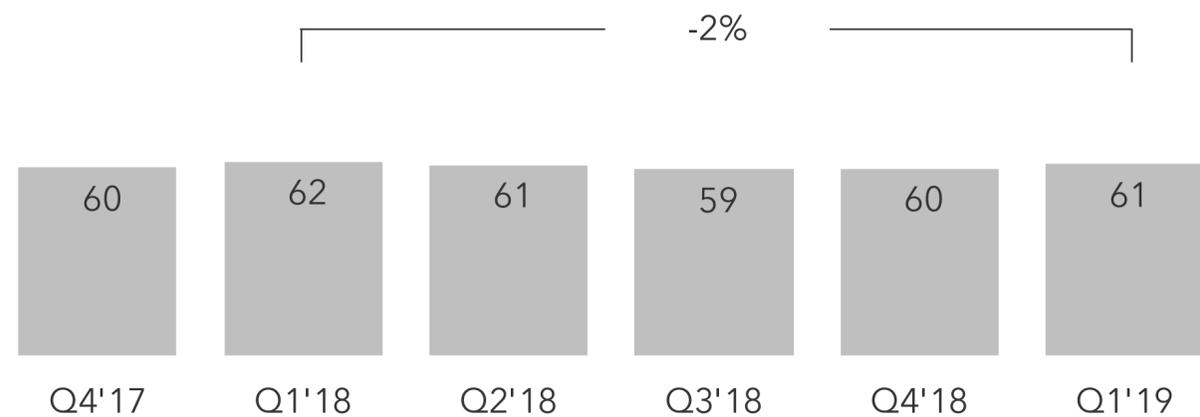
GLOBAL



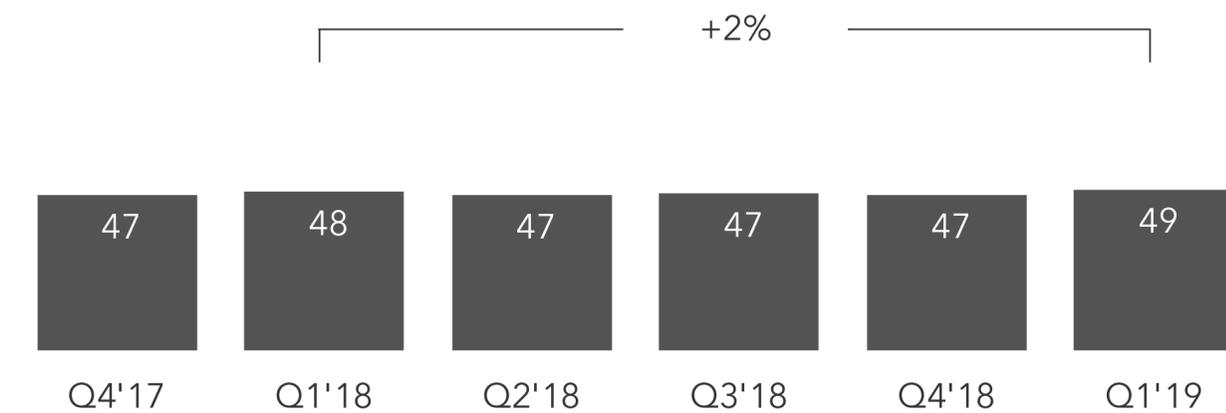
NORTH AMERICA¹



EUROPE²



REST OF WORLD



We define a Daily Active User, or DAU, as a registered 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.

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

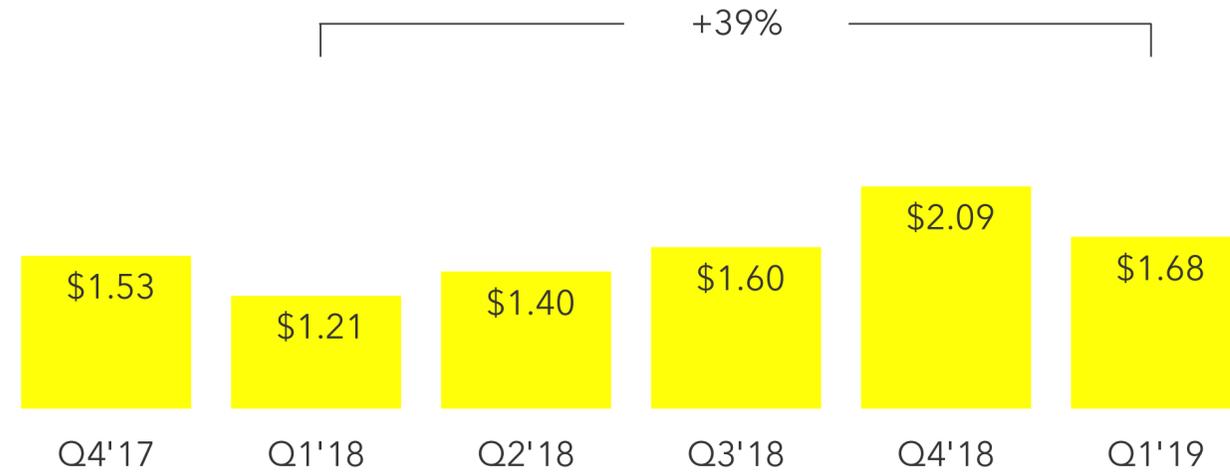
²Europe includes Russia and Turkey.

GLOBAL DAU INCREASED 2% QoQ

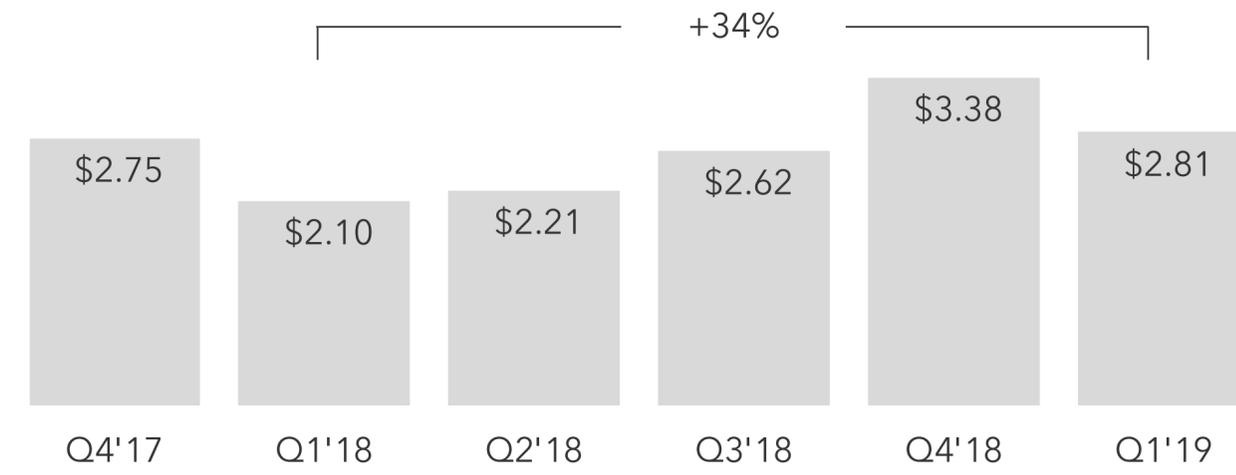
Average Revenue Per User (ARPU)

(unaudited)

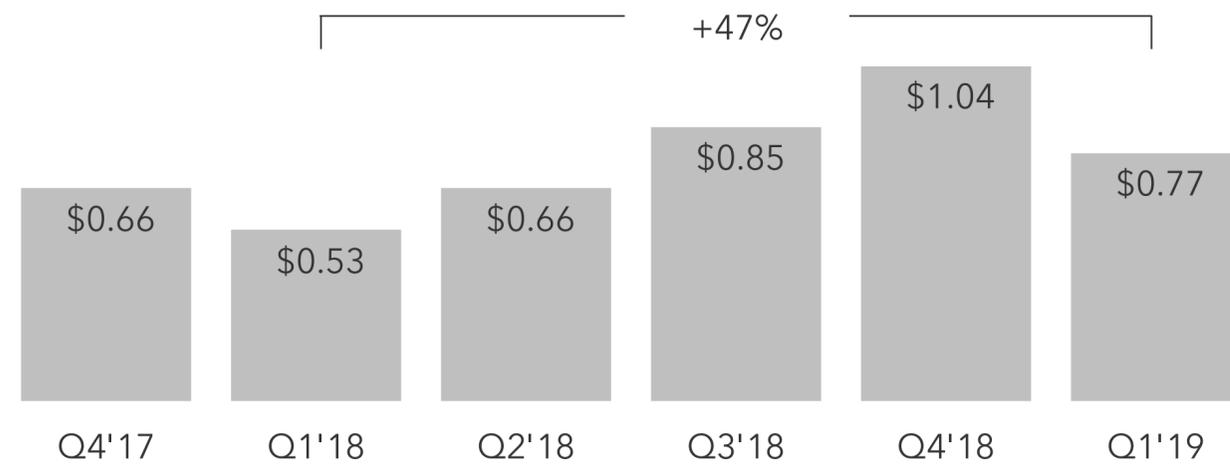
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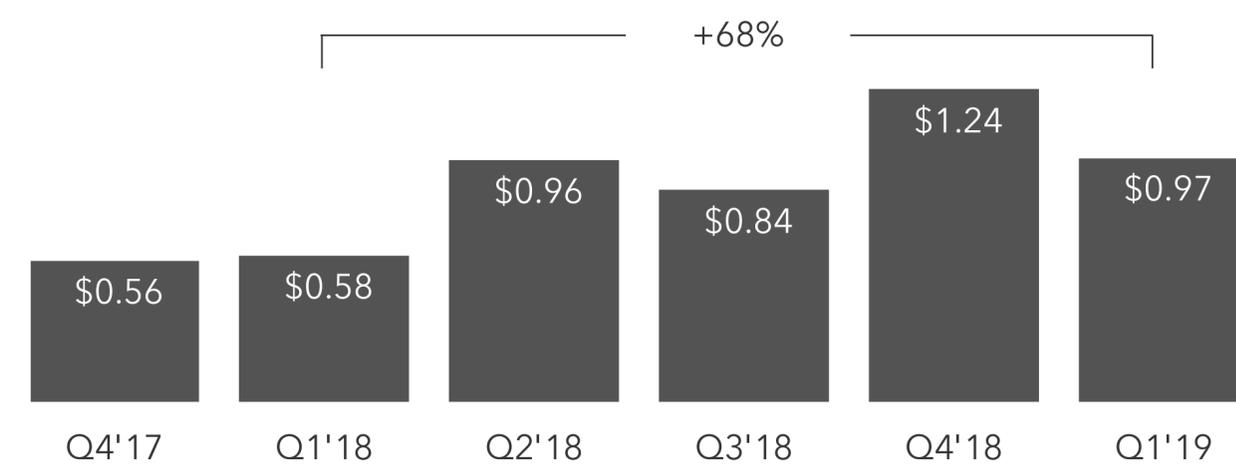
NORTH AMERICA¹



EUROPE²



REST OF WORLD



We define ARPU as quarterly revenue divided by the average Daily Active Users. For purposes of calculating ARPU, 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.

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

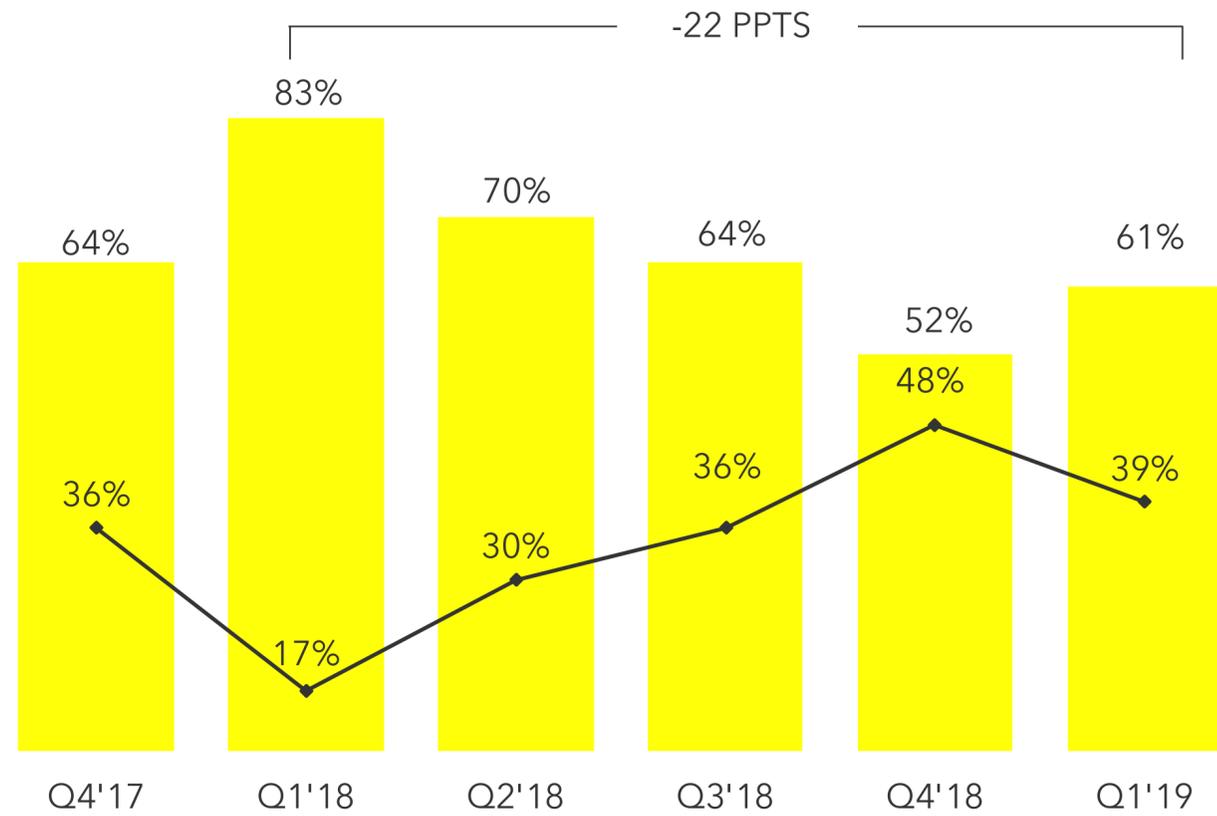
²Europe includes Russia and Turkey.

GLOBAL ARPU INCREASED 39% YoY

Cost of Revenue¹

COST OF REVENUE AS A % OF REVENUE

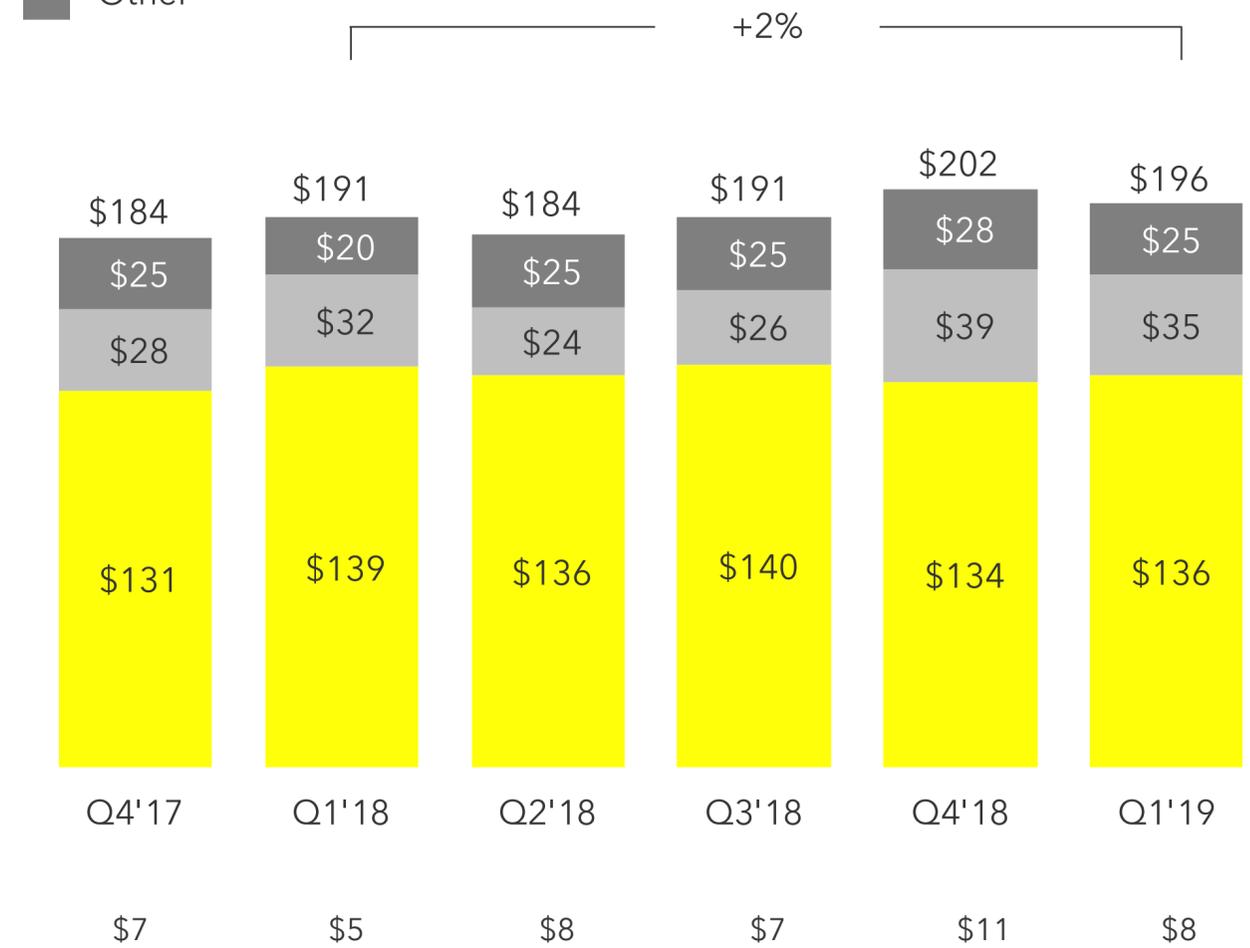
◆ Gross Margin¹



COST OF REVENUE COMPOSITION

(in millions, unaudited)

- Infrastructure Cost
- Revenue Share Cost
- Other



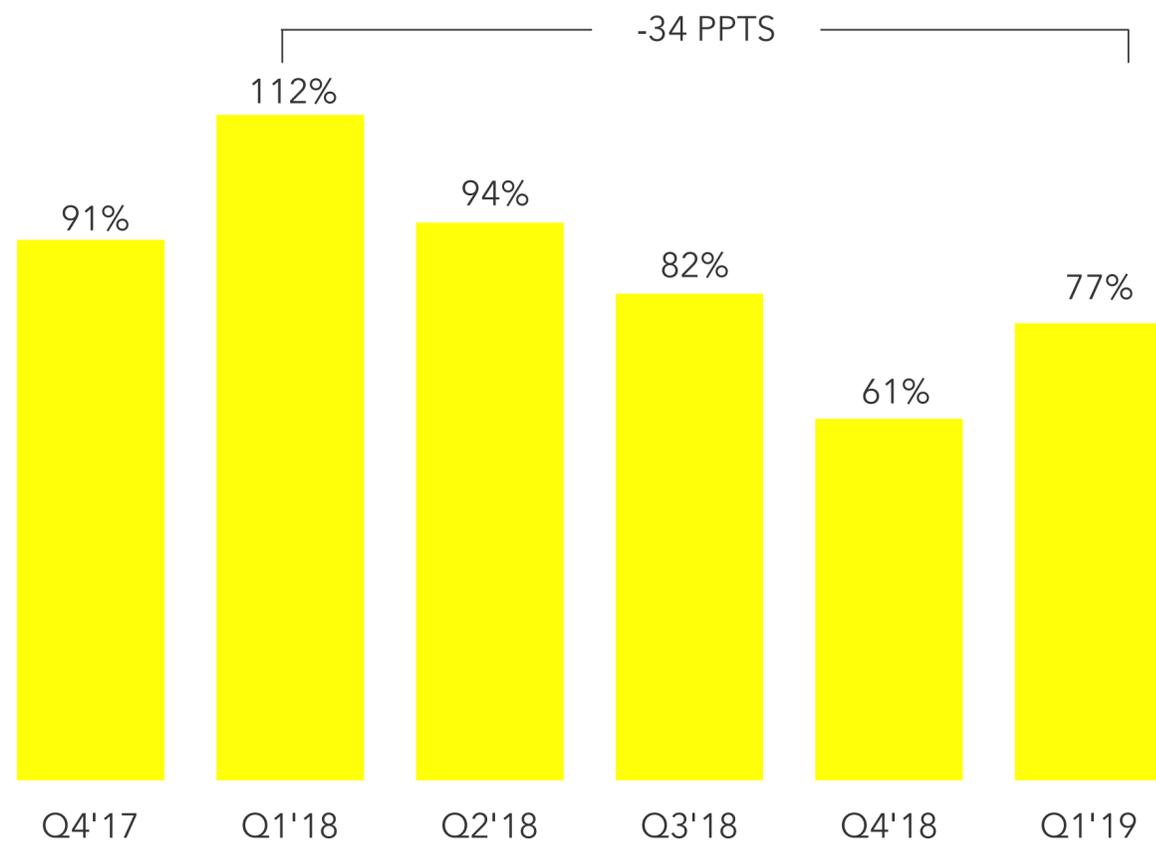
Total Non-GAAP Exclusions¹

¹Excludes 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.

COST OF REVENUE INCREASED 2% YoY, WHILE REVENUE INCREASED 39% YoY

Operating Expenses¹

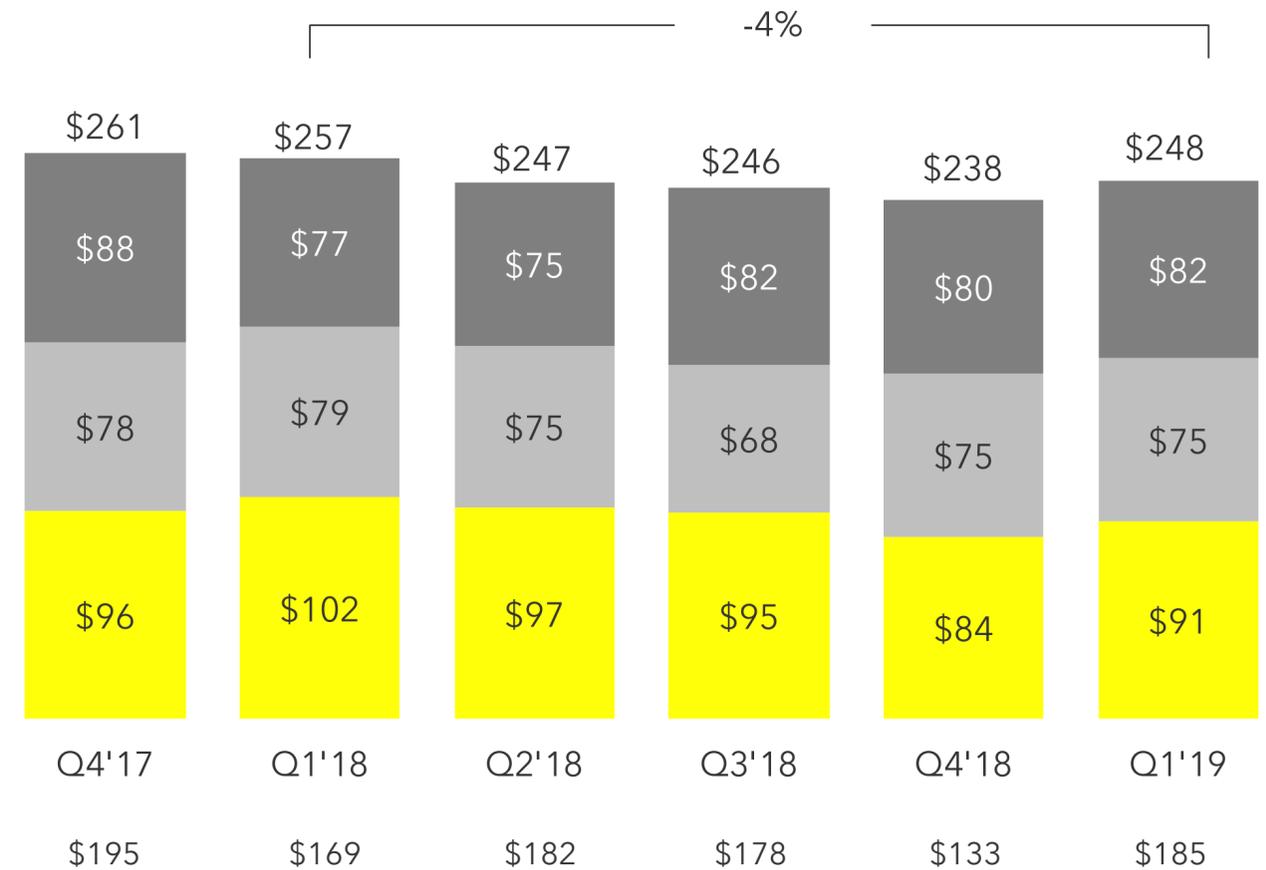
OPERATING EXPENSES AS A % OF REVENUE



OPERATING EXPENSES COMPOSITION

(in millions, unaudited)

- Research and Development
- Sales and Marketing
- General and Administrative



Total Non-GAAP Exclusions¹

¹Excludes 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 description of Reduction in Force Charges and Lease Exit Charges.

**OPERATING EXPENSES DECREASED 4% YoY AND INCREASED 4% QoQ,
WHILE REVENUE INCREASED 39% YoY AND DECREASED 18% QoQ**

Adjusted EBITDA¹

(in millions, unaudited)

◆ Adjusted EBITDA Margin

QUARTERLY ADJUSTED EBITDA



¹We 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.

ADJUSTED EBITDA IMPROVED \$94 MILLION YoY, AND ADJUSTED EBITDA MARGIN IMPROVED 56 PPTS YoY

Financial Guidance

The following forward-looking statements reflect our expectations for the second quarter of 2019 as of April 23, 2019, and are subject to substantial uncertainty. This guidance assumes, 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."

Q2 2019 Outlook

- Revenue is expected to be between \$335 million and \$360 million, or grow between 28% and 37% year-over-year.
- Adjusted EBITDA is expected to be between \$(150) million and \$(125) million, compared to \$(169) million in Q2 2018.

Appendix

Non-GAAP Financial Measures Reconciliation

(in thousands, unaudited)

	Three Months Ended					
	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019
Free Cash Flow Reconciliation						
Net cash used in operating activities	\$ (176,083)	\$ (231,981)	\$ (199,346)	\$ (132,543)	\$ (126,054)	\$ (66,178)
Less:						
Purchases of property and equipment	(21,212)	(36,315)	(34,901)	(26,285)	(22,741)	(11,814)
Free Cash Flow¹	\$ (197,295)	\$ (268,296)	\$ (234,247)	\$ (158,828)	\$ (148,795)	\$ (77,992)

	Three Months Ended					
	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019
Adjusted EBITDA Reconciliation						
Net loss	\$ (349,977)	\$ (385,785)	\$ (353,310)	\$ (325,148)	\$ (191,668)	\$ (310,407)
Add (deduct):						
Interest income	(6,070)	(6,104)	(6,600)	(7,011)	(7,513)	(7,816)
Interest expense	876	934	930	919	1,111	756
Other (income) expense, net	(2,553)	(3,153)	61	7,625	3,715	1,127
Income tax (benefit) expense	(3,240)	1,578	1,077	244	(352)	279
Depreciation and amortization	18,786	21,553	22,514	24,898	22,682	23,319
Stock-based compensation expense	181,044	133,258	156,371	126,809	121,772	162,556
Payroll tax expense related to stock-based compensation	2,212	9,968	5,997	3,947	2,015	6,737
Reduction in force	-	9,884	-	-	-	-
Lease exit charges	-	-	3,928	29,340	(2,125)	-
Adjusted EBITDA²	\$ (158,922)	\$ (217,867)	\$ (169,032)	\$ (138,377)	\$ (50,363)	\$ (123,449)

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

²We 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. Reduction in force charges in Q1 2018 were primarily composed of severance expense and related payroll tax expense related to a reduction in force plan. 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

	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019
Non-GAAP Net Loss Reconciliation						
Net loss	\$ (349,977)	\$ (385,785)	\$ (353,310)	\$ (325,148)	\$ (191,668)	\$ (310,407)
Amortization of intangible assets	10,607	10,824	10,754	10,610	10,441	10,369
Stock-based compensation expense	181,044	133,258	156,371	126,809	121,772	162,556
Payroll tax expense related to stock-based compensation	2,212	9,968	5,997	3,947	2,015	6,737
Reduction in force charges	-	9,884	-	-	-	-
Lease exit charges	-	-	3,928	29,340	(2,125)	-
Income tax adjustments	60	220	(339)	(253)	84	(115)
Non-GAAP net loss¹	\$ (156,054)	\$ (221,631)	\$ (176,599)	\$ (154,695)	\$ (59,481)	\$ (130,860)
Weighted-average common shares - Diluted	1,247,017	1,270,998	1,294,846	1,309,918	1,324,858	1,340,615

Three Months Ended

	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019
Non-GAAP diluted net loss per share reconciliation						
GAAP diluted net loss per share	\$ (0.28)	\$ (0.30)	\$ (0.27)	\$ (0.25)	\$ (0.14)	\$ (0.23)
Non-GAAP adjustment to net loss	0.15	0.13	0.13	0.13	0.10	0.13
Non-GAAP diluted net loss per share¹	\$ (0.13)	\$ (0.17)	\$ (0.14)	\$ (0.12)	\$ (0.04)	\$ (0.10)

¹ We define Non-GAAP Net 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 reduction in force 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 loss per share.

Note Regarding User Metrics and Other Data

We define a Daily Active User, or DAU, as a registered Snapchat user who opens the Snapchat application at least once during a defined 24-hour period. We calculate average 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. We also break out Daily Active Users by geography because certain markets have a greater revenue opportunity and lower bandwidth costs. 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 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. Our user metrics are also affected by technology on certain mobile devices that automatically runs in the background of our Snapchat application when another phone function is used, and this activity can cause our system to miscount the user metrics associated with such account. 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 believe that we don't capture all data regarding all our active users. For example, technical issues may result in data not being recorded from every user's application. While we believe this underreporting is generally immaterial, we are unable to precisely determine the level of underreporting and for some periods the underreporting may be material. We continually seek to address these technical issues and improve our accuracy, but given the complexity of the systems involved and the rapidly changing nature of mobile devices and systems, we expect underreporting to continue. We do not adjust our reported metrics to reflect this underreporting.

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)

We currently use an analytics platform that we developed and operate and 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 DAU. This provides redundancy in the event one pipeline of data were to become unavailable for technical reasons, and also gives us redundant data to help measure how users interact with Snapchat.

If we fail to maintain an effective analytics platform, our metrics calculations may be inaccurate. We regularly review, have adjusted in the past, and are likely in the future to adjust our processes for calculating our internal metrics to improve their accuracy. As a result of such adjustments, our DAUs or other metrics may not be comparable to those in prior periods. Our measures of DAUs may differ from estimates published by third parties or from similarly titled metrics of our competitors due to differences in methodology or data used.