

Snap Inc.

Q2 2018 Earnings Slides

August 7, 2018

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, 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,” “intend,” “may,” “plan,” “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 quarterly report on Form 10-Q for the quarter ended March 31, 2018, 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 June 30, 2018 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.

Financial Highlights

- Cash used in operating activities was \$(199) million in Q2 2018, compared to cash used in operating activities of \$(210) million in Q2 2017.
- Free Cash Flow was \$(234) million in Q2 2018, compared to \$(229) million in Q2 2017.
- Common shares outstanding plus shares underlying stock-based awards totaled 1.5 billion at June 30, 2018, compared with 1.4 billion one year ago.
- Revenue increased 44% to \$262 million in Q2 2018, compared to revenue of \$182 million in Q2 2017.
- Net loss decreased 20% to \$(353) million in Q2 2018, compared to a net loss of \$(443) million in Q2 2017.
- Adjusted EBITDA loss decreased 13% to \$(169) million in Q2 2018, compared to an Adjusted EBITDA loss of \$(194) million in Q2 2017.

Business Highlights

- Daily Active Users (DAU) increased 8% to 188 million in Q2 2018, compared to 173 million in Q2 2017, and decreased 2% in Q2 2018, compared to 191 million in Q1 2018.
- Average revenue per user (ARPU) increased 34% to \$1.40 in Q2 2018, compared to \$1.05 in Q2 2017.
- In Q2 2018, 11 Shows reached a monthly audience of over 10 million users, up from 7 in Q1 2018.
- We introduced Group Video Chat, which allows users to video chat with up to 16 friends at one time.
- We launched Snappables, new Lenses for sharing augmented reality experiences with one or many friends. Users can control Snappables using touch, motion, and facial expressions.
- We released a new version of Spectacles, which has a smaller profile and is water resistant. Users can record videos with improved audio as well as press and hold to take a photo. Snaps captured transfer to Snapchat in HD up to 4 times faster than the original version of Spectacles.
- We introduced Snap Kit (kit.snapchat.com) to help developers build products powered by features of Snapchat. We have partnered with companies such as Pandora and Tinder to make it possible for Snapchat features to be shared within each of their platforms and on Snapchat.
 - Creative Kit helps developers integrate their own stickers, filters, links, and other highlights right into the Snapchat camera.
 - Login Kit lets users unlock new features on Snapchat and other apps, or use their Snapchat account as a quick, secondary way to log in.
 - Bitmoji Kit lets conversations come alive with Bitmoji stickers when messaging on other apps.
 - Story Kit lets developers filter and embed publicly shared Snapchat Stories into their own apps and services.

Business Highlights (continued)

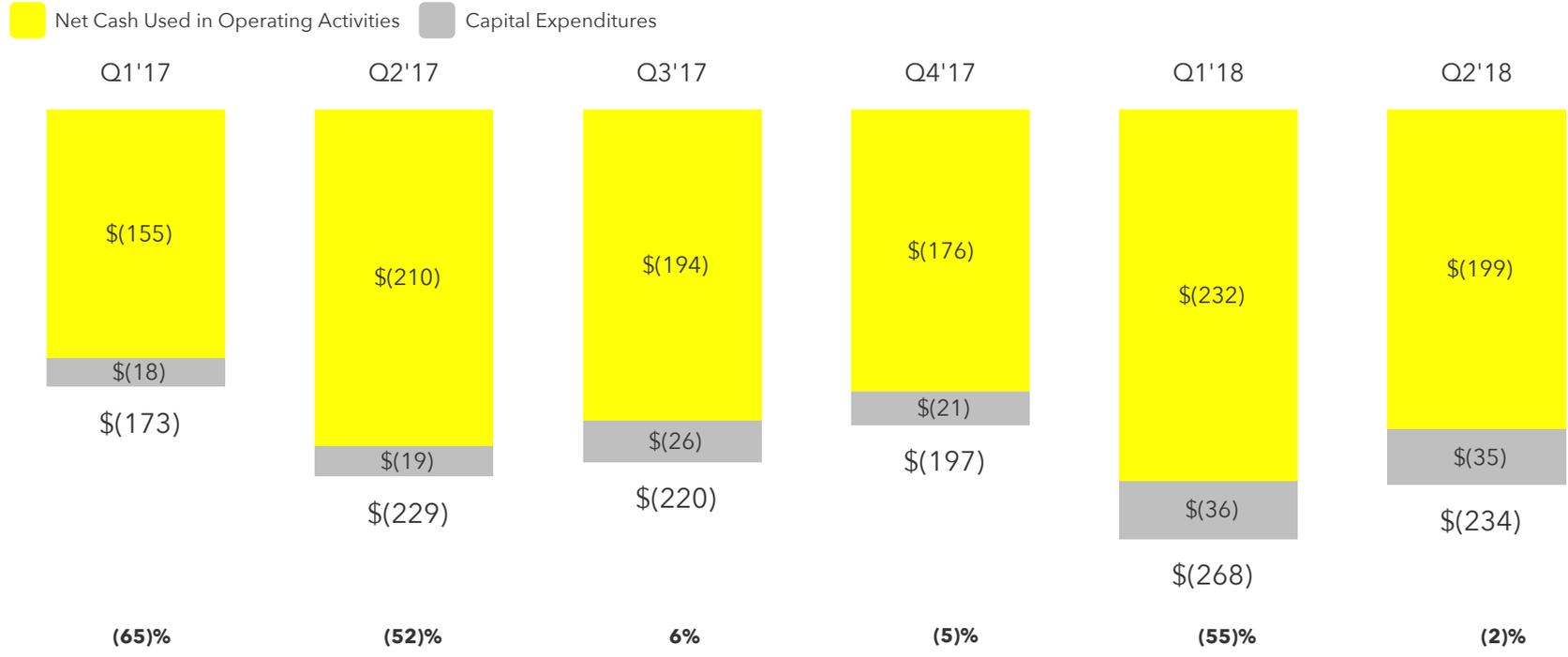
- We introduced Lens Explorer, an easier way to discover and unlock thousands of Lenses built by Snapchat users around the world. Since we launched Lens Studio in late 2017, creators have submitted over 100,000 unique Lenses which have been viewed by Snapchat users over 3.5 billion times.

Advertising Highlights

- We transitioned our Story Ad product from our managed ecosystem to our programmatic auction.
- Snap Pixel, which helps advertisers measure the cross-device impact of their campaigns, is now available to all advertisers, regardless of size. Since beta launch in Q4 2017, Snap Pixel has measured more than 100 million purchase events, 70 million of which were recorded in Q2 2018 alone as we released Snap Pixel globally.
- We introduced updates to our self-serve platform to provide performance-focused advertisers with a full-suite of tools needed to optimize and measure their Snapchat campaigns. These updates include the ability to bid on goals such as web conversions, return on ad spend reporting, and conversion lift capabilities, effectively rounding out our Snap Pixel offering.
- We announced that advertisers can purchase Lens campaigns using our Reach & Frequency tool in Ads Manager. This means that all of our advertising formats - Snap Ads (including Story Ads) and Creative Tools (Lenses and Filters) - are now available programmatically.
- We launched two new initiatives to help our content creators monetize via our programmatic marketplace. We brought Commercials, a non-skippable 6-second Snap Ad that appears in Discover Shows, to Ads Manager. We also launched our Private Marketplace, which is an invite-only tool within Ads Manager that publishers can use to allow specific advertisers to target their content.
- We've provided more insights to advertisers by launching three new initiatives for campaign planning and analysis. Audience Insights help advertisers understand characteristics about Snap's audience, which they can now better target with our Advanced Location Targeting, including location categories and point + radius, and then better understand their performance with Delivery Insights.

Free Cash Flow¹

(in millions, unaudited)



Long-Term Goal - Optimize Free Cash Flow; Operating Cash Flow Improved 5% YoY

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.

Common Shares Outstanding Plus Shares Underlying Stock-Based Awards

(in millions, unaudited)

Common Shares Outstanding Shares Underlying Stock-Based Awards¹



YoY
Change

NM

NM

NM

NM

2%

3%

Efficiently Managing Dilution

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

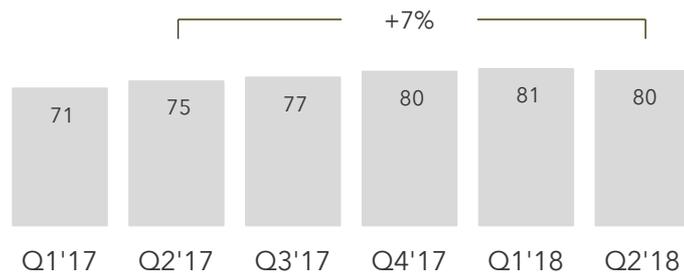
Quarterly Average Daily Active Users (DAU)

(in millions, unaudited)

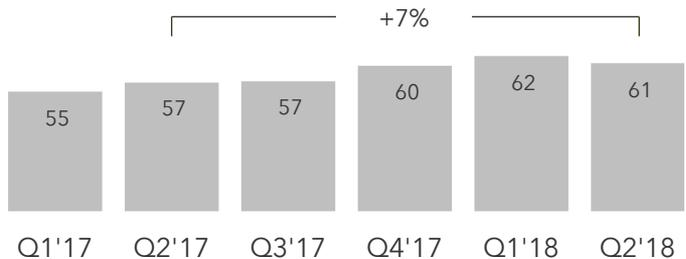
Global



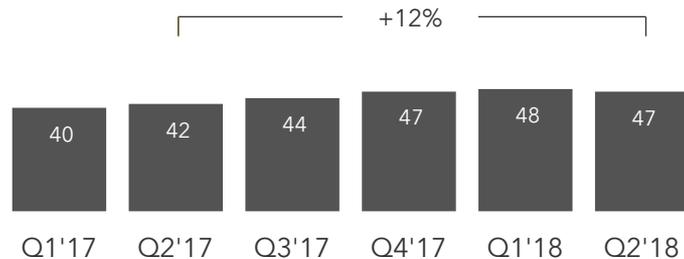
North America¹



Europe²



Rest of World



Global DAU Increased 8% YoY

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.

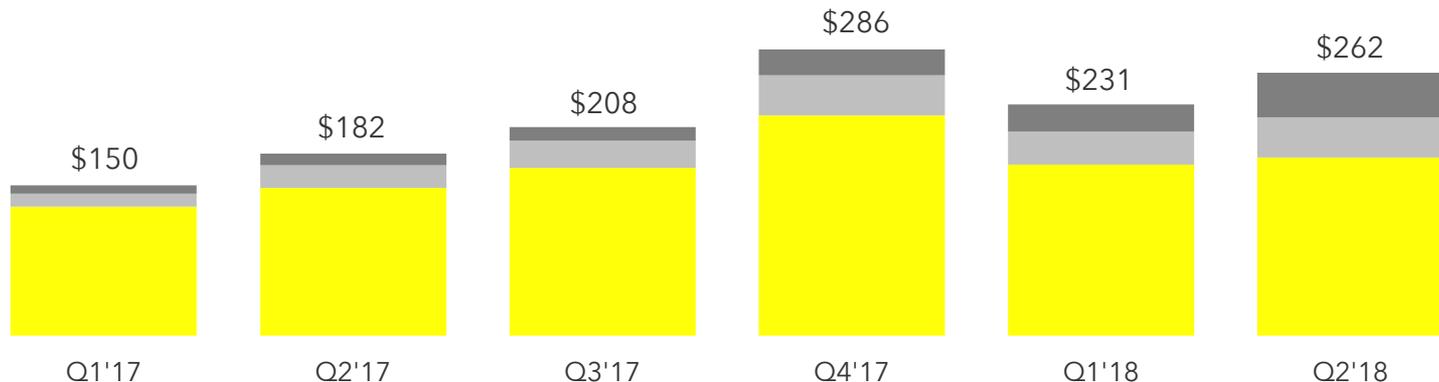
¹North America includes Mexico and the Caribbean.

²Europe includes Russia and Turkey.

Quarterly Revenue by Geography

(in millions, unaudited)

■ North America¹
■ Europe²
■ Rest of World



	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18
North America	\$129	\$148	\$167	\$219	\$170	\$177
Europe	\$13	\$22	\$27	\$40	\$33	\$40
Rest of World	\$8	\$12	\$13	\$26	\$27	\$45

Revenue Up 44% YoY; Advertising Revenue Up 48% YoY

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.

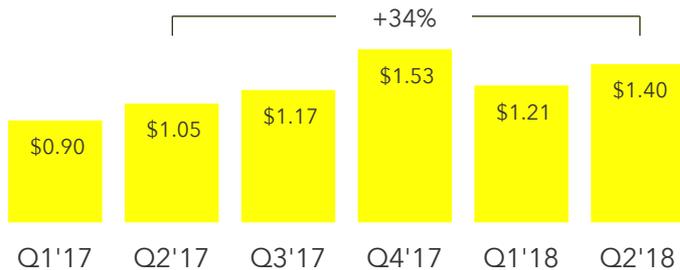
¹North America includes Mexico and the Caribbean.

²Europe includes Russia and Turkey.

Quarterly Average Revenue Per User (ARPU)

(unaudited)

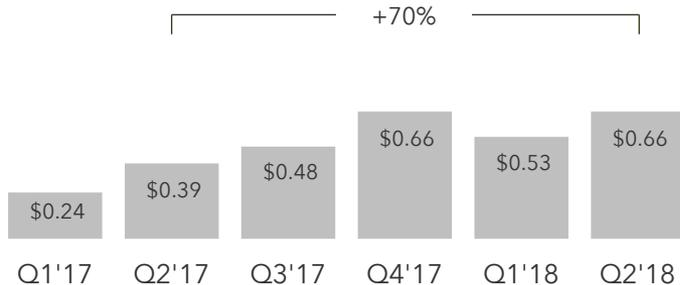
Global



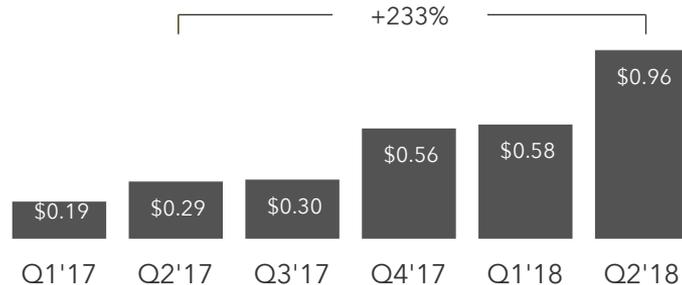
North America¹



Europe²



Rest of World



Global ARPU Increased 34% YoY

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.

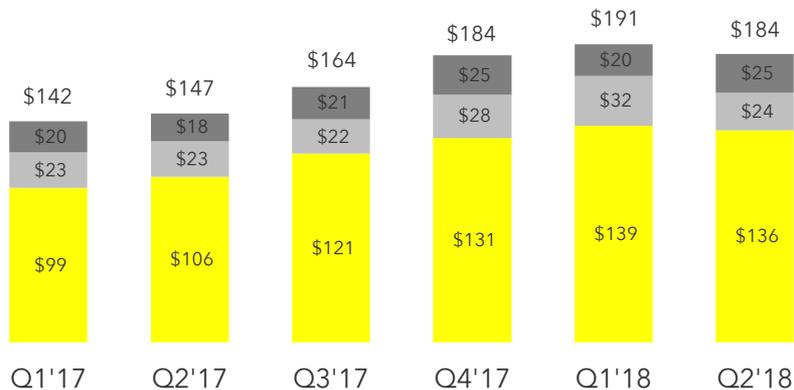
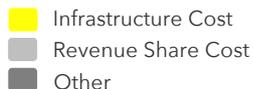
¹North America includes Mexico and the Caribbean.

²Europe includes Russia and Turkey.

Cost of Revenue¹

(unaudited)

Cost of Revenue Composition (in millions)



Infrastructure Cost per DAU



SBC-Related Expense	\$20	\$2	\$2	\$2	–	\$2
D&A Expense	\$2	\$3	\$5	\$5	\$5	\$6
Inventory-Related Charges	–	–	\$40	–	–	–
Total	\$22	\$5	\$47	\$7	\$5	\$8

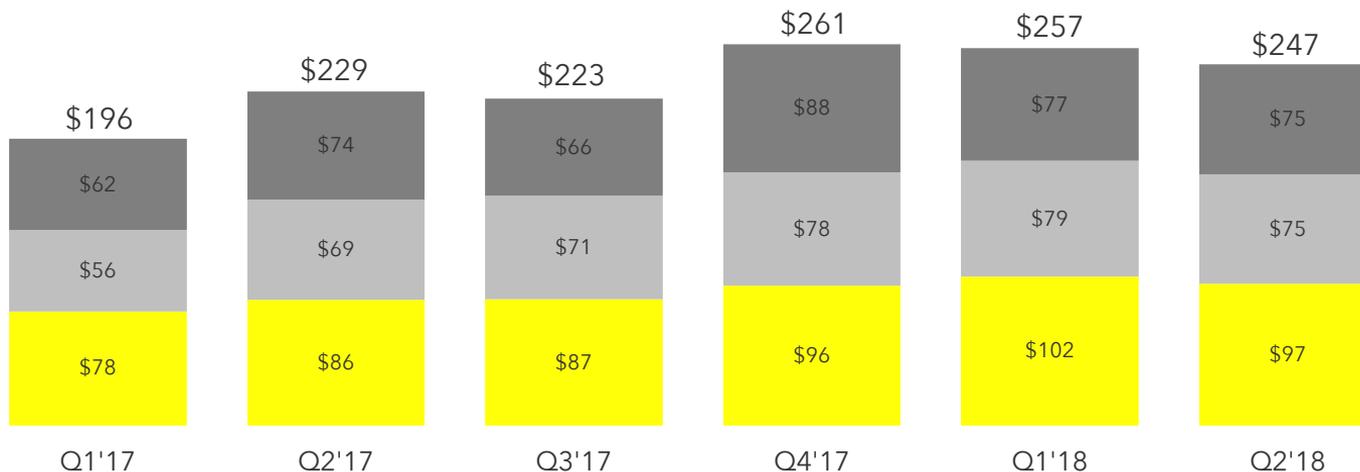
Focused on Operational Efficiencies and Unit Cost Economics

¹Excludes stock-based compensation expense and related payroll tax expense (SBC-Related Expense), depreciation and amortization (D&A Expense), and certain other non-cash or non-recurring items impacting net income (loss) from time to time.

Operating Expenses¹

(in millions, unaudited)

■ Research and Development
 ■ Sales and Marketing
 ■ General and Administrative



	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18
SBC-Related Expense	\$1,993	\$240	\$224	\$181	\$143	\$161
D&A Expense	\$11	\$10	\$12	\$14	\$16	\$17
Reduction in Force Charges	–	–	–	–	\$10	–
Lease Exit Charges	–	–	–	–	–	\$4
Total	\$2,004	\$250	\$236	\$195	\$169	\$182
Operating Margin ²	NM	(247)%	(222)%	(126)%	(170)%	(136)%

Fixed Cost Leverage Improved YoY

¹Excludes stock-based compensation expense and related payroll tax expense (SBC-Related Expense) and depreciation and amortization (D&A Expense) and certain other non-cash or non-recurring items impacting net income (loss) from time to time.

²Operating margin is calculated using total GAAP costs and expenses.

Refer to Appendix for description of Reduction in Force Charges and Lease Exit Charges.

Adjusted EBITDA¹

(in millions, unaudited)

◆ Adjusted EBITDA Margin



Adjusted EBITDA Improved \$25 Million YoY, and Adjusted EBITDA Margin Improved 43 ppts YoY

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.

Financial Guidance

The following forward-looking statements reflect our expectations for the third quarter of 2018 as of August 7, 2018, 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.”

Q3 2018 Outlook

- Revenue is expected to be between \$265 million and \$290 million, growth of between 27% and 39% compared to Q3 2017.
- Adjusted EBITDA loss is expected to be between \$(185) million and \$(160) million, compared to \$(179) million in Q3 2017.

Appendix

Non-GAAP Financial Measures Reconciliation

(in thousands, unaudited)

	Three Months Ended					
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018
Adjusted EBITDA reconciliation:						
Net loss	\$ (2,208,837)	\$ (443,093)	\$ (443,159)	\$ (349,977)	\$ (385,785)	\$ (353,310)
Add (deduct):						
Interest income	(2,424)	(6,349)	(6,253)	(6,070)	(6,104)	(6,600)
Interest expense	695	998	887	876	934	930
Other (income) expense, net	(187)	(786)	(1,002)	(2,553)	(3,153)	61
Income tax (benefit) expense	(3,014)	212	(12,300)	(3,240)	1,578	1,077
Depreciation and amortization	12,450	12,585	17,467	18,786	21,553	22,514
Stock-based compensation expense	1,992,121	245,028	221,702	181,044	133,258	156,371
Payroll tax expense related to stock-based compensation	20,953	(2,585)	3,890	2,212	9,968	5,997
Spectacles inventory-related charges	–	–	39,867	–	–	–
Reduction in force charges	–	–	–	–	9,884	–
Lease exit charges	–	–	–	–	–	3,928
Adjusted EBITDA¹	\$ (188,243)	\$ (193,990)	\$ (178,901)	\$ (158,922)	\$ (217,867)	\$ (169,032)
	Three Months Ended					
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018
Free Cash Flow reconciliation:						
Net cash used in operating activities	\$ (154,997)	\$ (209,574)	\$ (194,013)	\$ (176,083)	\$ (231,981)	\$ (199,346)
Less:						
Purchases of property and equipment	(17,993)	(19,365)	(25,948)	(21,212)	(36,315)	(34,901)
Free Cash Flow²	\$ (172,990)	\$ (228,939)	\$ (219,961)	\$ (197,295)	\$ (268,296)	\$ (234,247)

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. Spectacles inventory-related charges were primarily related to excess inventory reserves and inventory purchase commitment cancellation charges. Reduction in force charges were primarily composed of severance expense and related payroll tax expense related to a reduction in force plan we implemented in Q1 2018. 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 reflect 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.

²We define Free Cash Flow as net cash provided by (used in) operating activities, reduced by purchases of property and equipment.

Non-GAAP Financial Measures Reconciliation (continued)

(in thousands, except per share amounts, unaudited)

	Three Months Ended					
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018
Non-GAAP Net Loss reconciliation:						
Net loss	\$ (2,208,837)	\$ (443,093)	\$ (443,159)	\$ (349,977)	\$ (385,785)	\$ (353,310)
Amortization of intangible assets	5,337	5,767	9,743	10,607	10,824	10,754
Stock-based compensation expense	1,992,121	245,028	221,702	181,044	133,258	156,371
Payroll tax expense related to stock-based compensation	20,953	(2,585)	3,890	2,212	9,968	5,997
Spectacles inventory-related charges	–	–	39,867	–	–	–
Reduction in force charges	–	–	–	–	9,884	–
Lease exit charges	–	–	–	–	–	3,928
Income tax adjustments	(1,567)	(623)	(123)	60	220	(339)
Non-GAAP Net Loss¹	\$ (191,993)	\$ (195,506)	\$ (168,080)	\$ (156,054)	\$ (221,631)	\$ (176,599)

Weighted-average common shares - Diluted	955,003	1,223,443	1,232,993	1,247,017	1,270,998	1,294,846
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	Three Months Ended					
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018
Non-GAAP Diluted Net Loss per Share reconciliation						
Diluted net loss per share	\$ (2.31)	\$ (0.36)	\$ (0.36)	\$ (0.28)	\$ (0.30)	\$ (0.27)
Non-GAAP adjustment to net loss	2.11	0.20	0.22	0.15	0.13	0.13
Non-GAAP Diluted Net Loss per Share¹	\$ (0.20)	\$ (0.16)	\$ (0.14)	\$ (0.13)	\$ (0.17)	\$ (0.14)

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 spectacles inventory-related charges, 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 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. 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 Daily 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.

Note Regarding User Metrics and Other Data (continued)

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. For example, before June 2015, we used a third party that counted a Daily Active User when the application was opened or a notification was received via the application on any device. We now use an analytics platform that we developed and operate and we count a Daily Active User only when a user opens the application and only once per user per day. 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 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.