

Snap Inc.

Q4 2020 Earnings Slides

February 4, 2021

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, and the impact of COVID-19 on our business and the economy as a whole, 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, including the ongoing COVID-19 pandemic, 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. Additional information will be made available in our annual report on Form 10-K for the year ended December 31, 2020 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, including future developments related to the COVID-19 pandemic, 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

Revenue	<ul style="list-style-type: none">• Revenue increased 62% YoY to \$911 million.• Average revenue per user increased 33% YoY to \$3.44.
Operating Performance	<ul style="list-style-type: none">• Adjusted gross margin¹ improved to 59%, compared to 56% in Q4 2019.• Operating margin improved to (11)%, compared to (45)% in Q4 2019.• Net loss was \$(113) million, compared to \$(241) million in Q4 2019.• Adjusted EBITDA was \$166 million, compared to \$42 million in Q4 2019.• Adjusted EBITDA margin² was 18%, compared to 8% in Q4 2019.
Cash	<ul style="list-style-type: none">• Operating cash flow improved \$14 million YoY to \$(53) million.• Free Cash Flow improved \$7 million YoY to \$(69) million.• Ending cash and marketable securities increased \$425 million YoY to \$2.5 billion.

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.
²We define Adjusted EBITDA margin as Adjusted EBITDA divided by GAAP revenue. See Appendix for reconciliation of net loss to Adjusted EBITDA.

Business Highlights

We saw increased engagement across key metrics:

- DAUs were 265 million in Q4 2020, an increase of 47 million, or 22%, 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 both iOS and Android platforms.
- On average, Snapchatters opened Snapchat 30 times every day in Q4 2020.

We continue to invest in our Discover platform as a destination for content that entertains and informs:

- Over 90% of the U.S. Gen Z population watched Shows and publisher content in Q4 2020.
- Total daily time spent by Snapchatters over the age of 35 engaging with Shows and publisher content increased by more than 30% year-over-year.
- Digital native creator of sports and lifestyle content Wave.tv reached an average monthly audience of 64 million Snapchatters.
- “Will From Home”, our popular Snap Original featuring Will Smith, returned to Snapchat for its highly anticipated second season.
- We launched a record 97 new international Discover channels in Q4 2020.

Business Highlights (Continued)

We continue to invest in our camera and augmented reality platforms:

- Over 200 million daily active users engage with augmented reality every day on average.
- In December, we held our third annual augmented reality Lens Fest event celebrating our Lens Creator community and their AR creations, which attracted over 5,000 attendees joining virtually.
- Our 'Cartoon' Lens powered by real time machine learning generated 1 billion impressions in its first three days after launch.
- We added the ability for Snapchatters using Scan to search food and wine labels, surfacing nutritional information and tasting notes in partnership with nutrition app Yuka and wine app Vivino.
- We released updates to Lens Studio, introducing new tools and workflows to better manage, create, and load Lenses, while adding capabilities for developers to build LiDAR-powered Lenses.
- We launched our first-ever 5G-enabled Landmarker Lens in partnership with Verizon. The Lens uses our augmented reality technology and Verizon's 5G Ultra Wideband capabilities to bring the soul band Black Pumas at the New York Public Library to life.

We strengthened our ad platform to drive improved outcomes for advertisers:

- We partnered with NYX Professional Makeup, Ralph Lauren, Sweat, and The New York Times to launch augmented reality-powered advertising experiences.
- We implemented a partnership with Perfect Corp to enable more than 200 beauty brands to upload their catalogs to the Snap Camera for augmented reality try-on.
- We added app install as a goal-based bidding objective for sponsored AR Lenses.
- We launched Snap Connect, an extension of our online learning portal Snap Focus that focuses specifically on direct response advertising.
- OnePlus (India) created Lenses for Diwali as a means to bring people together safely during a pandemic. Their Lenses garnered over 80 million impressions and reached over 14 million Snapchatters in India.

Business Highlights (Continued)

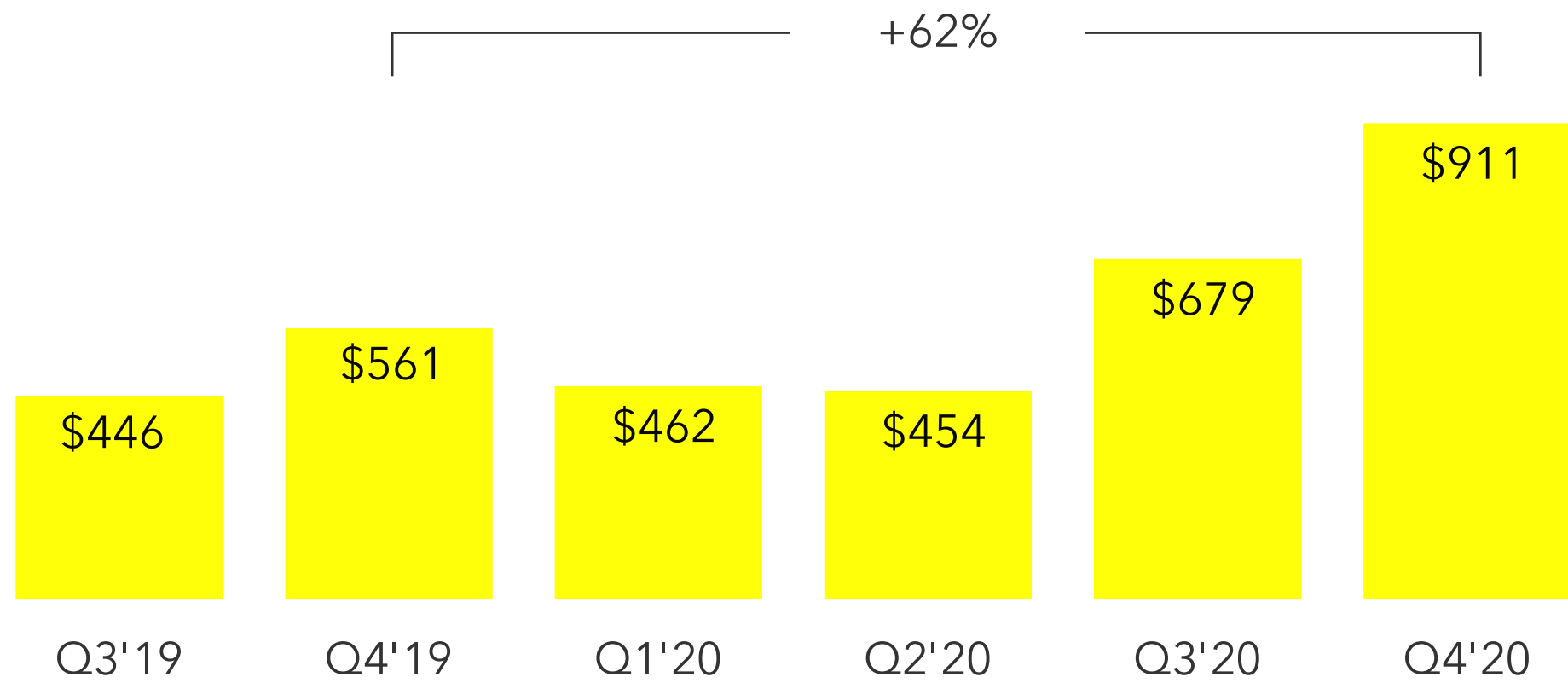
We continue to innovate to better serve our large and engaged community:

- We launched Spotlight, our newest platform surfacing the most entertaining Snaps from our community, and our early investments have helped Spotlight grow to over 100 million monthly active users in January.
- We launched our first Snap Kit integration with Twitter, enabling Snapchatters to easily share what's happening on Twitter over the Snapchat camera on iOS, with Android soon to come.
- We partnered with Unity to extend the reach of Unity's ads to Snapchat advertisers through the Snap Audience Network, as well as bring Snap technology to game developers through Snap Kit.
- We released Bitmoji Paint, our internally developed Snap game allowing Snapchatters to paint different pixelated canvases using their Bitmoji avatar along with other users around the world.

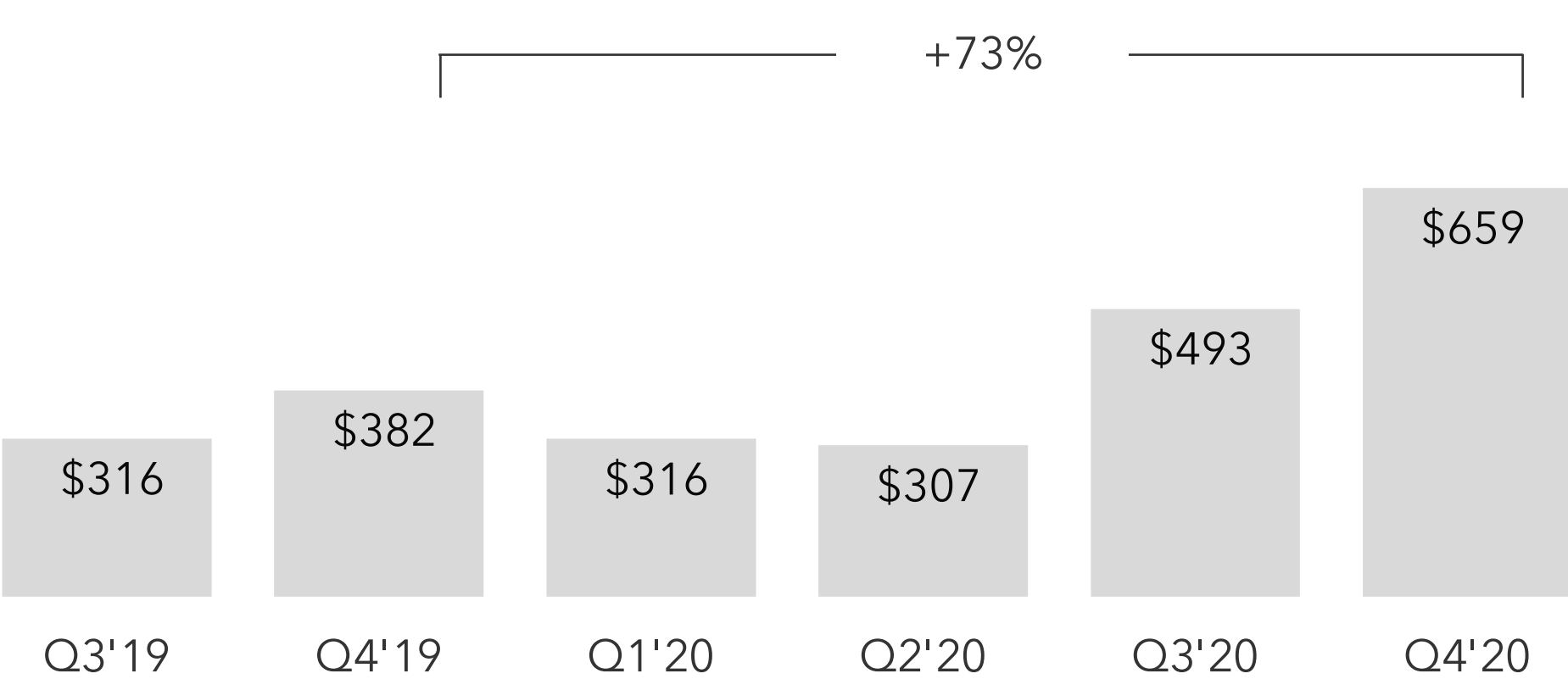
Revenue by Geography

(in millions, unaudited)

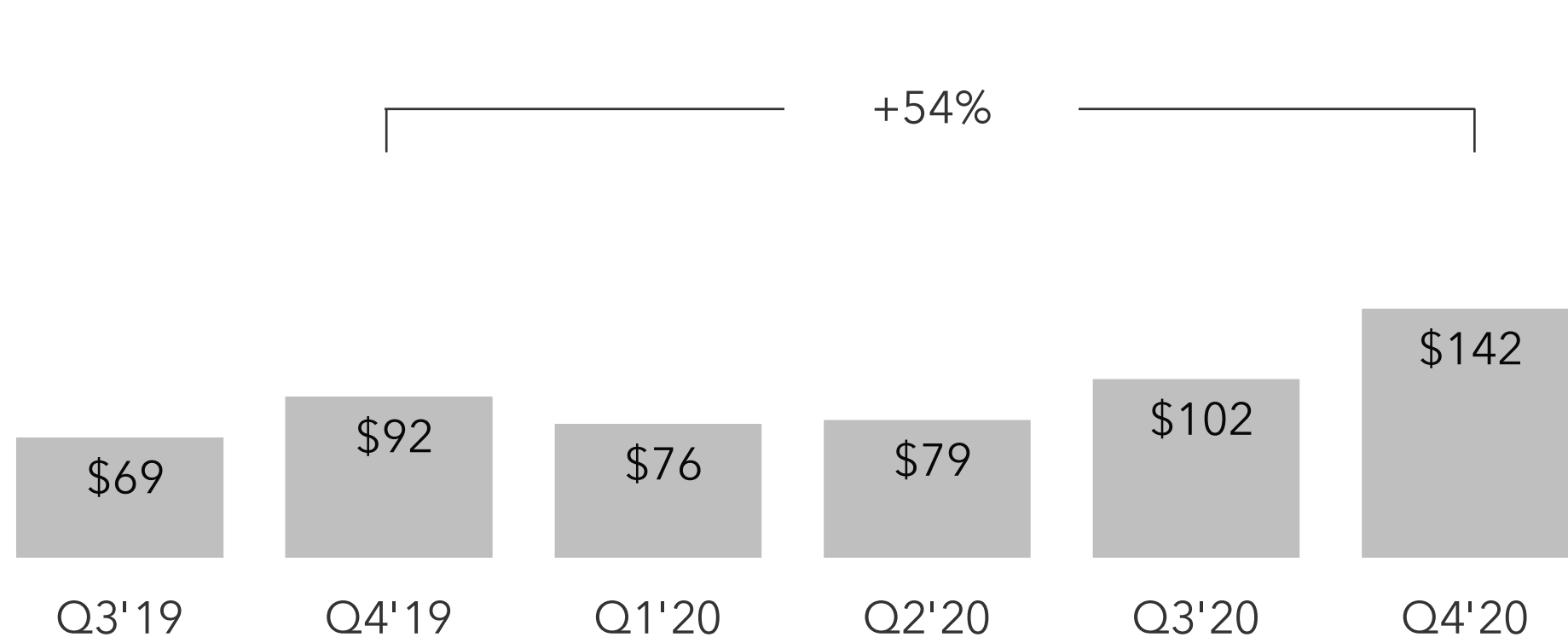
GLOBAL



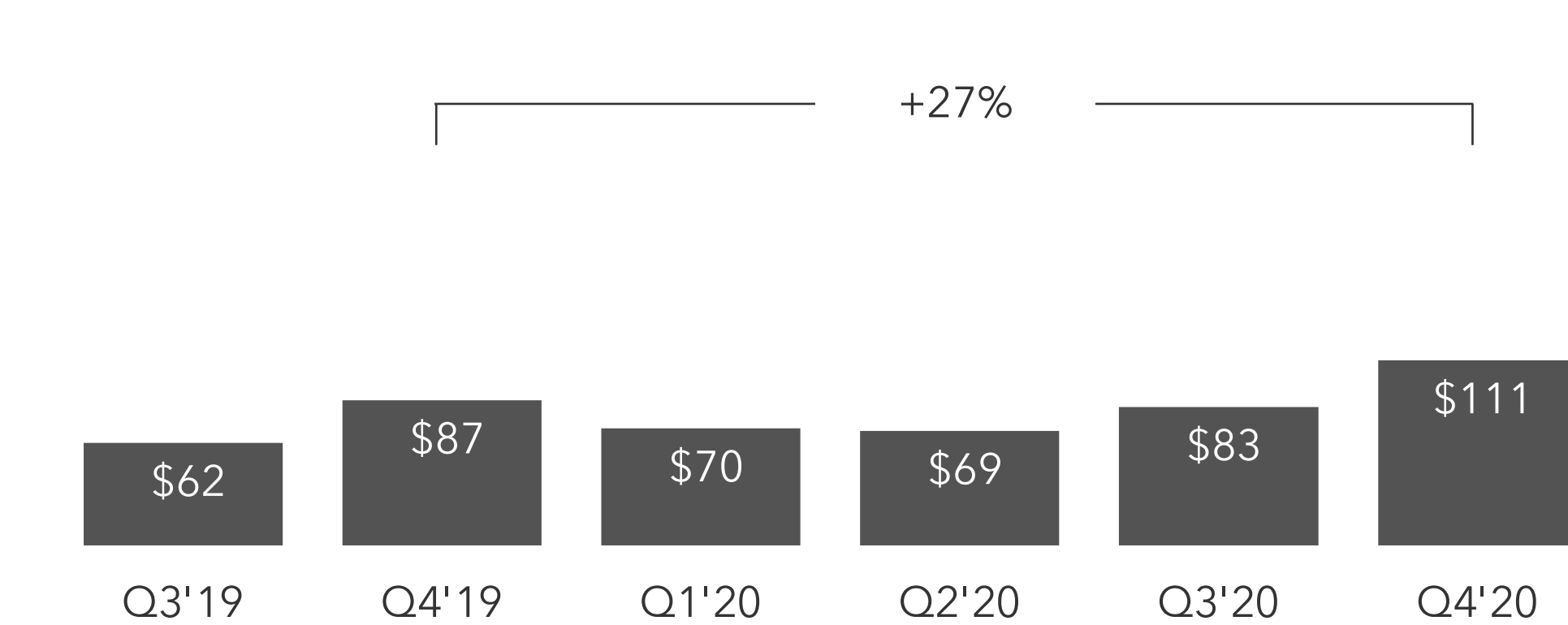
NORTH AMERICA¹



EUROPE²



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.

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

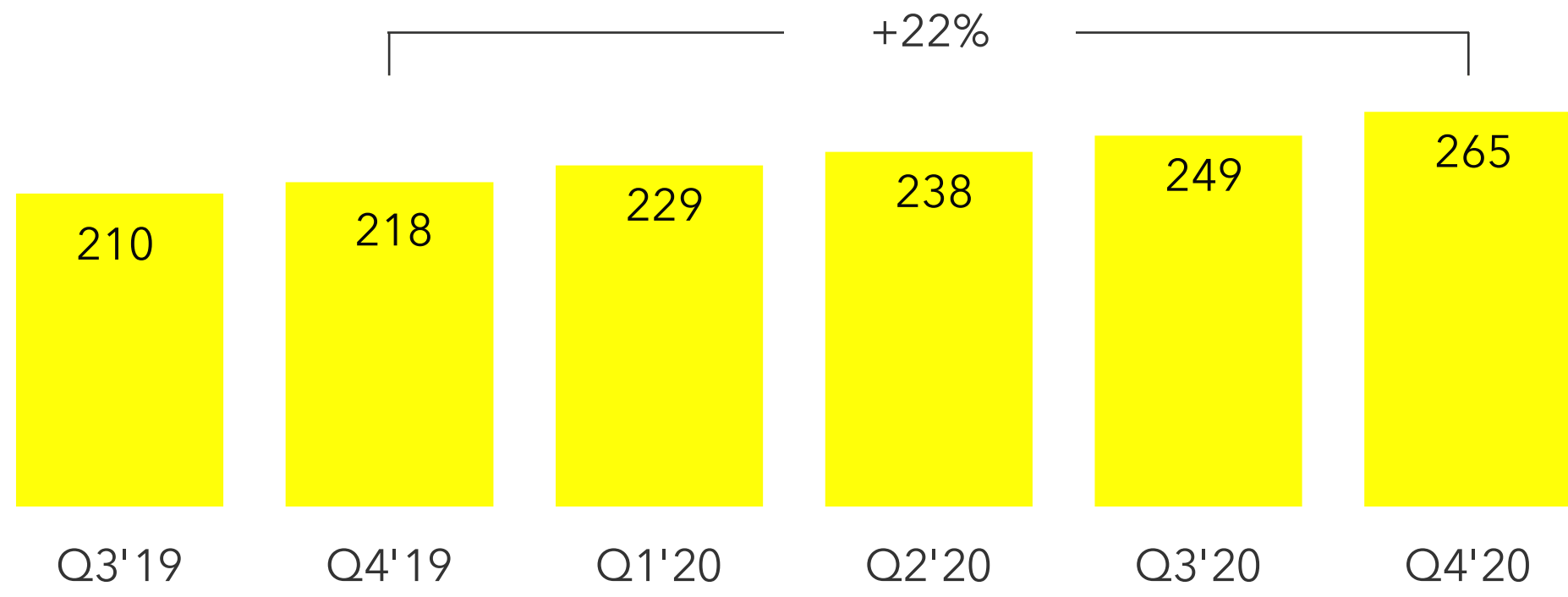
²Europe includes Russia and Turkey.

Q4'20 REVENUE INCREASED 62% YoY TO \$911 MILLION
FISCAL YEAR 2020 REVENUE INCREASED 46% YoY TO \$2.5 BILLION

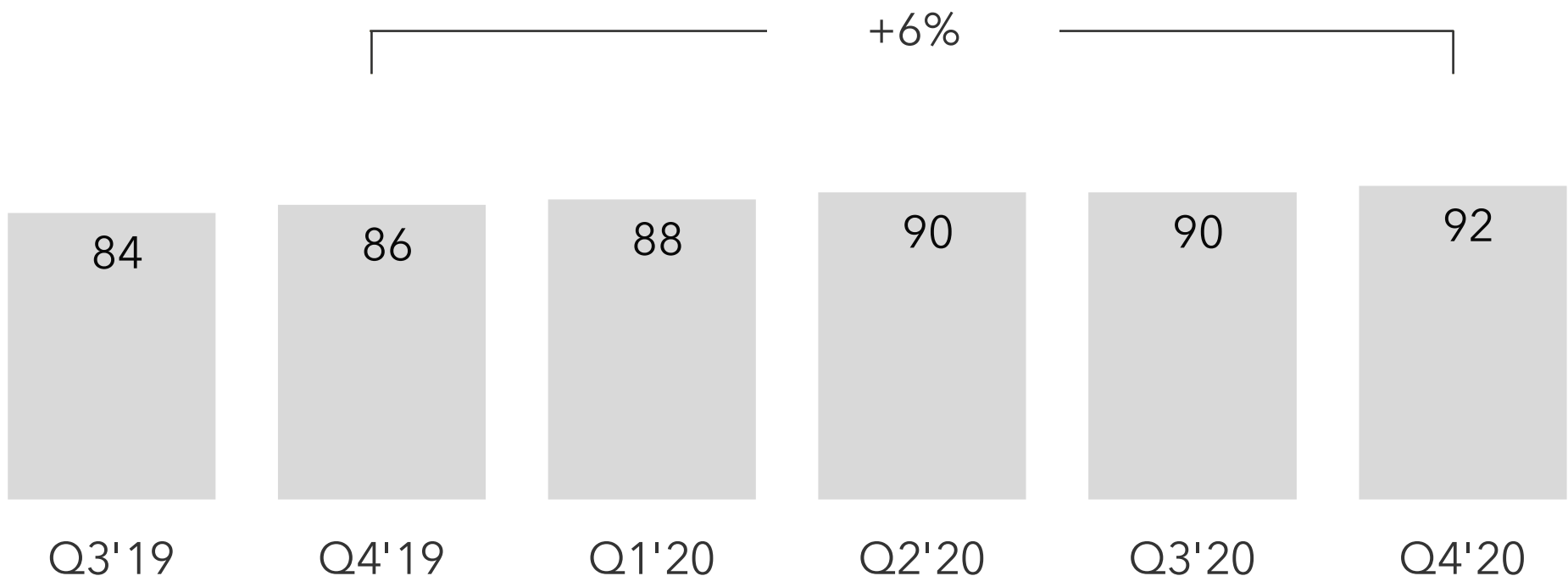
Average Daily Active Users (DAU)

(in millions, unaudited)

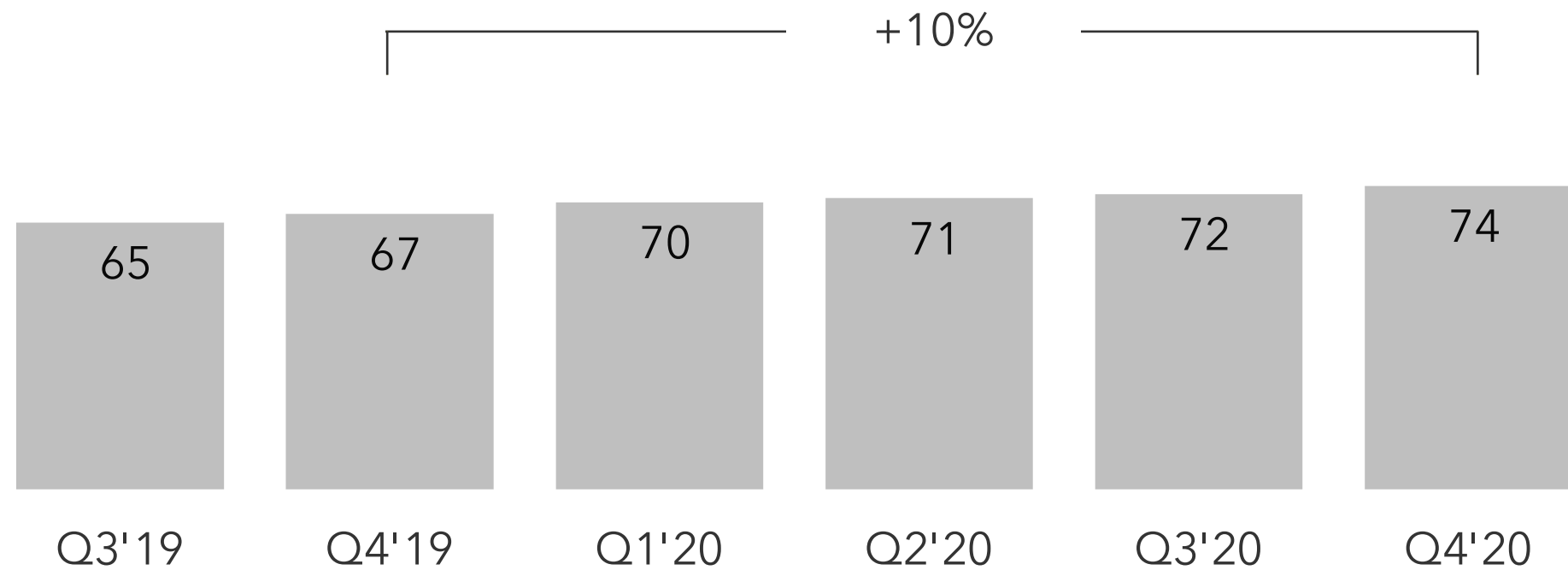
GLOBAL



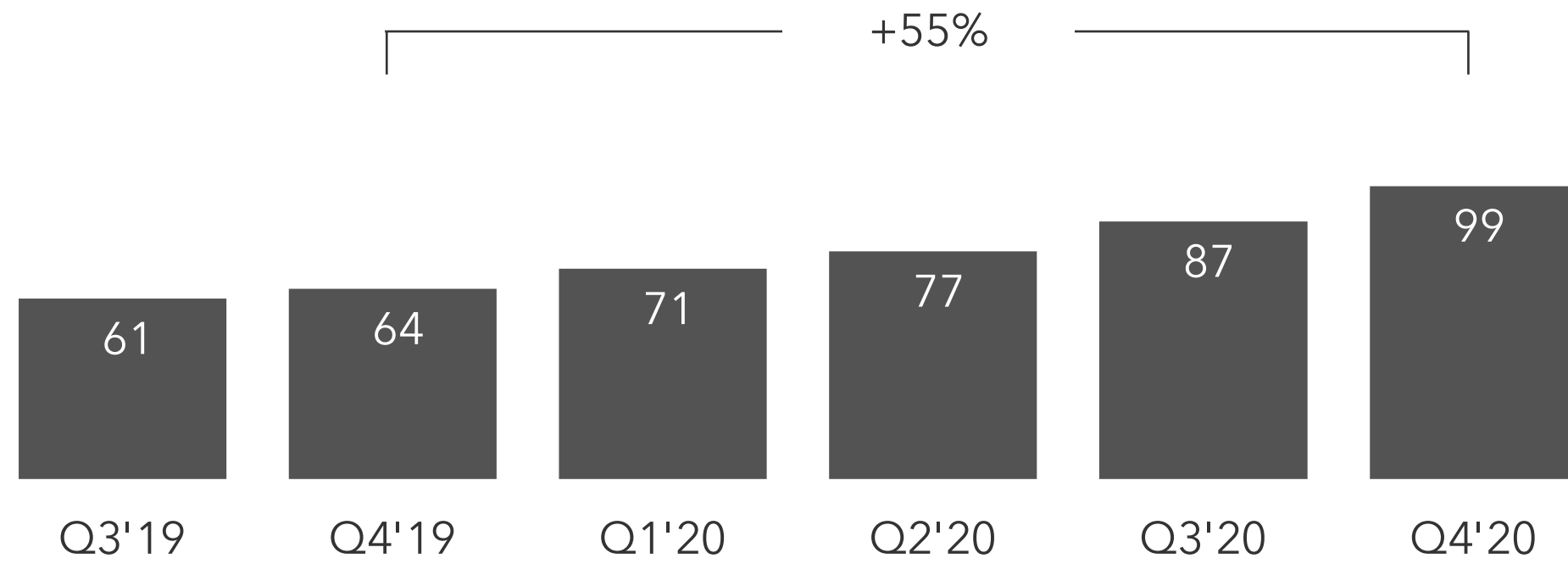
NORTH AMERICA¹



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.

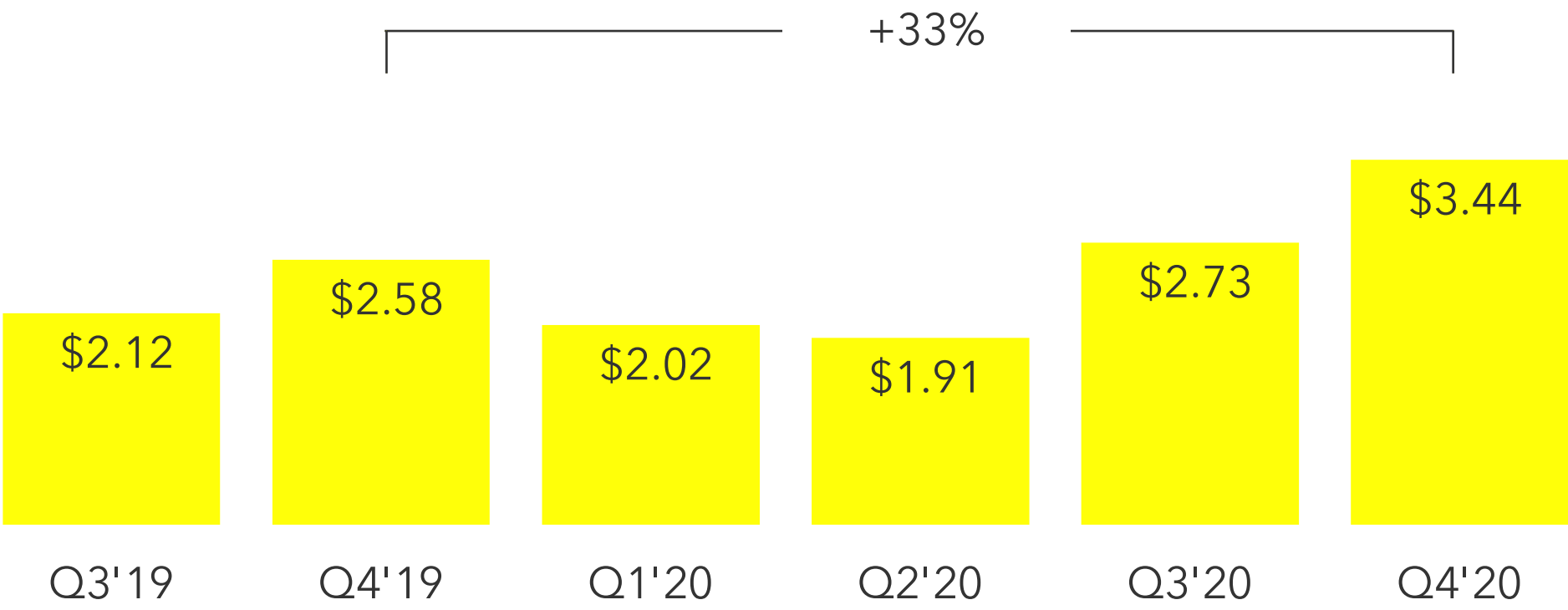
²Europe includes Russia and Turkey.

GLOBAL DAU INCREASED 47 MILLION, OR 22% YoY

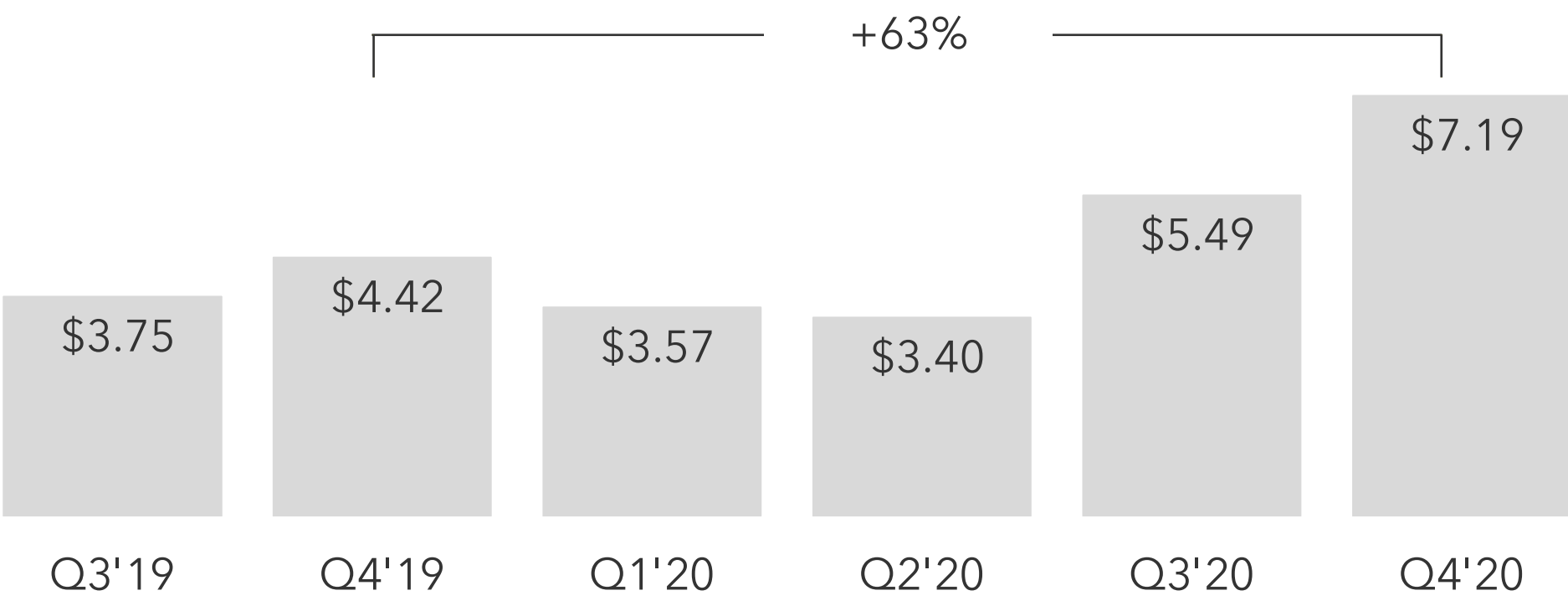
Average Revenue Per User (ARPU)

(unaudited)

GLOBAL



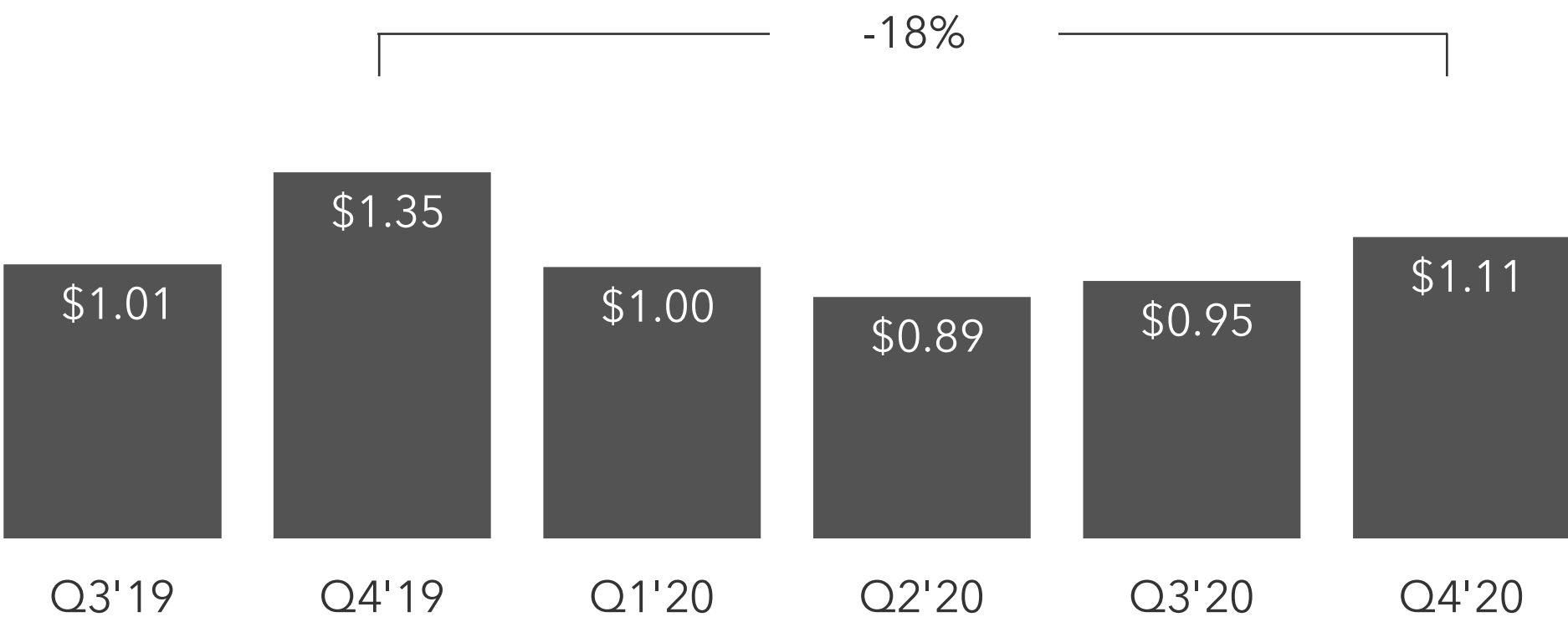
NORTH AMERICA¹



EUROPE²



REST OF WORLD

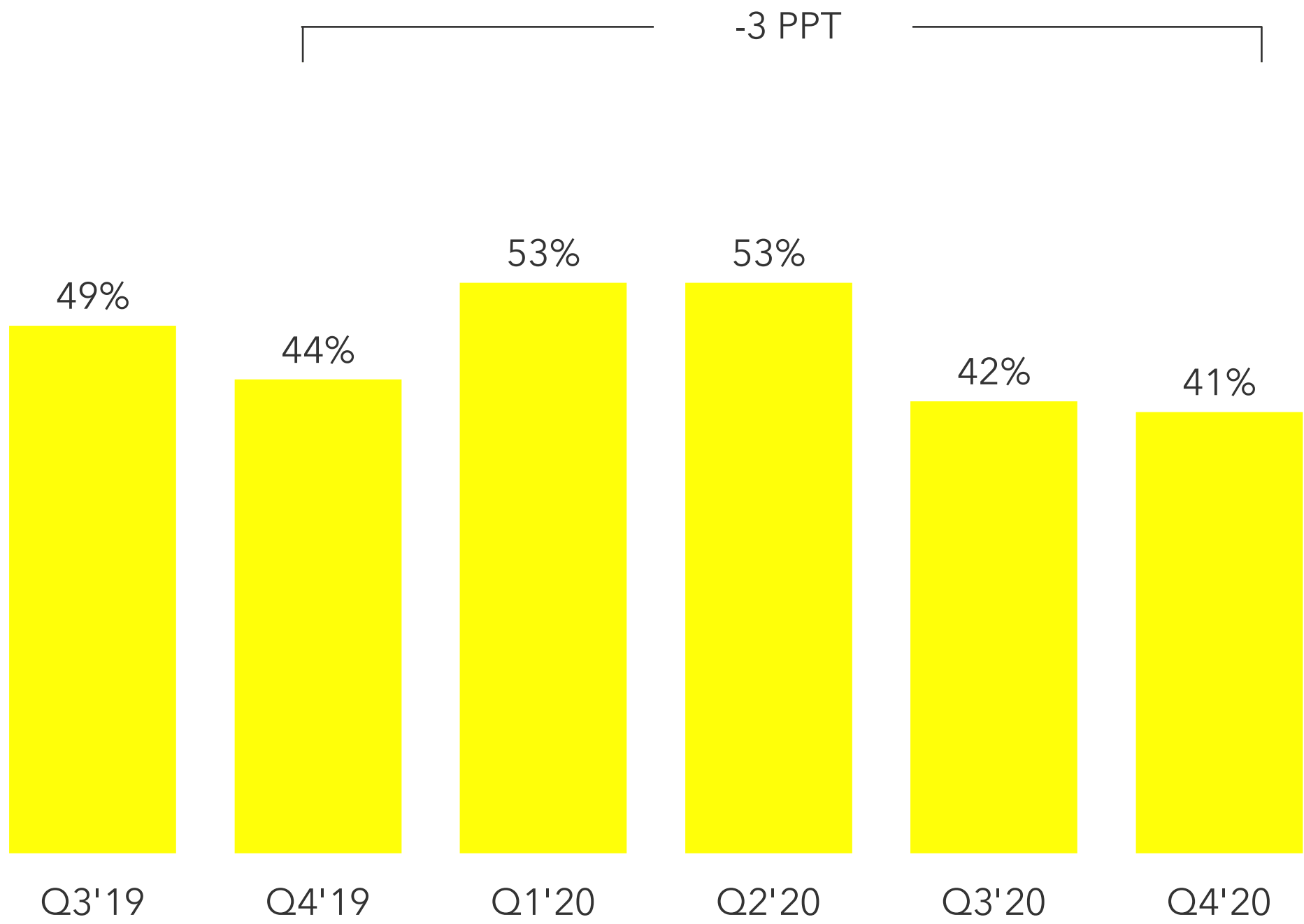


We define ARPU as quarterly revenue divided by the average Daily Active Users. For purposes of calculating ARPU, revenue by user geography is apportioned to each region based on our determination of the geographic location in which advertising impressions are delivered, as this approximates revenue based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

GLOBAL ARPU INCREASED 33% YoY
NORTH AMERICA ARPU INCREASED 63% YoY

Adjusted Cost of Revenue¹

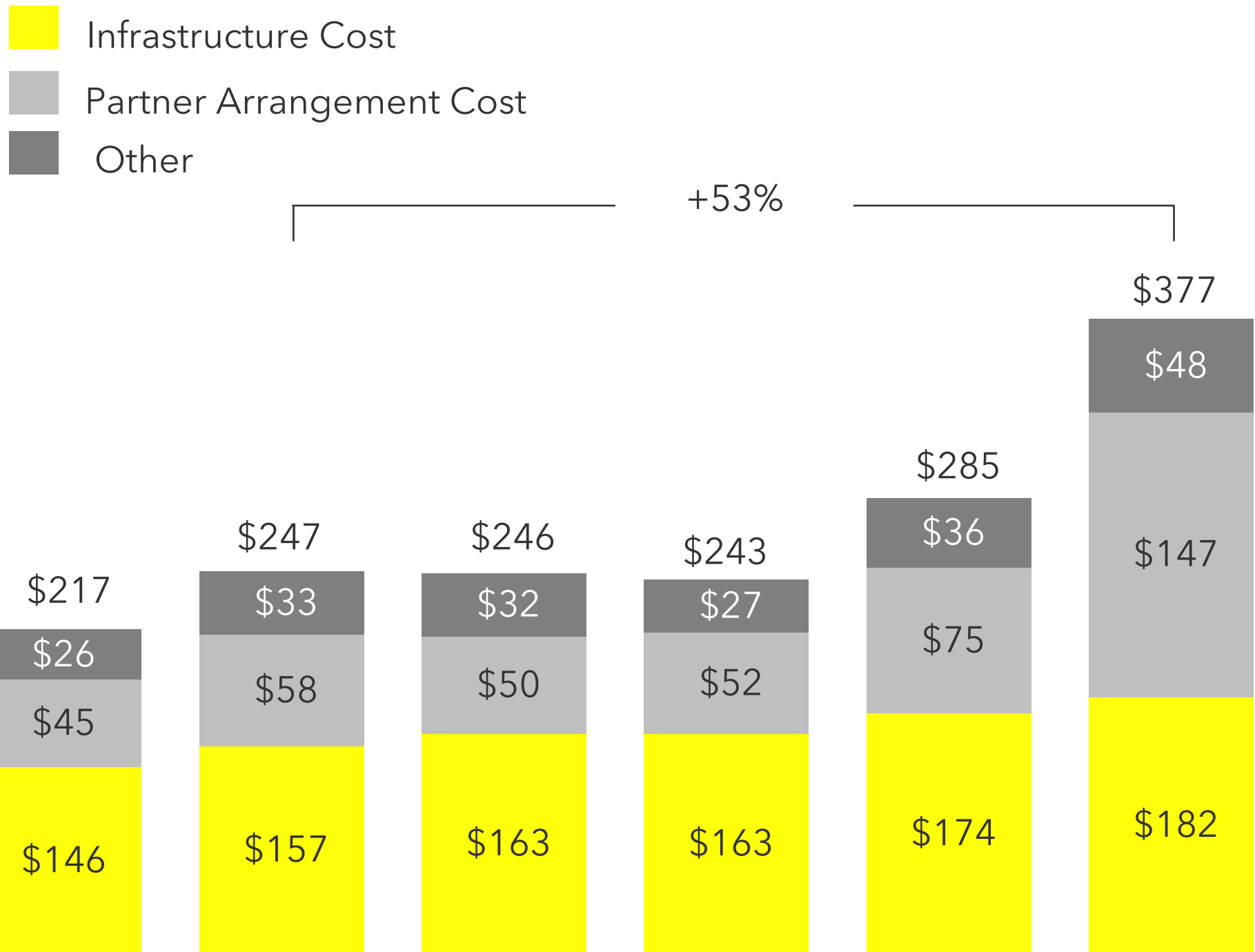
ADJUSTED COST OF REVENUE AS A % OF REVENUE



Adjusted
Gross
Margin¹

51% 56% 47% 47% 58% 59%

COST OF REVENUE COMPOSITION
(in millions, unaudited)



Total Non-GAAP
Exclusions¹

\$6 \$6 \$7 \$8 \$8 \$9

Total GAAP Cost
of Revenue

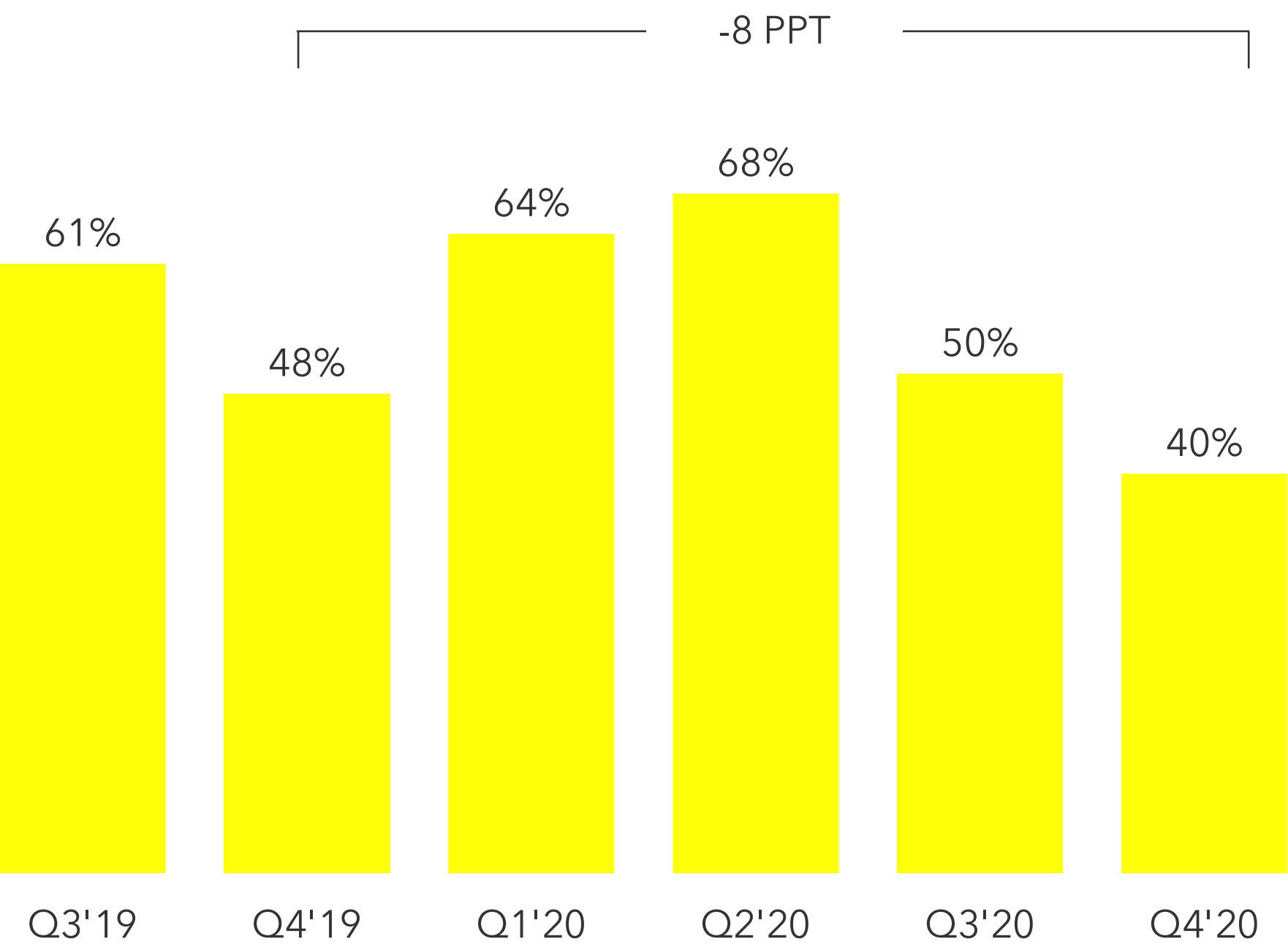
\$223 \$253 \$253 \$250 \$293 \$386

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.

ADJUSTED GROSS MARGIN¹ IMPROVED 3 PPT YoY

Adjusted Operating Expenses¹

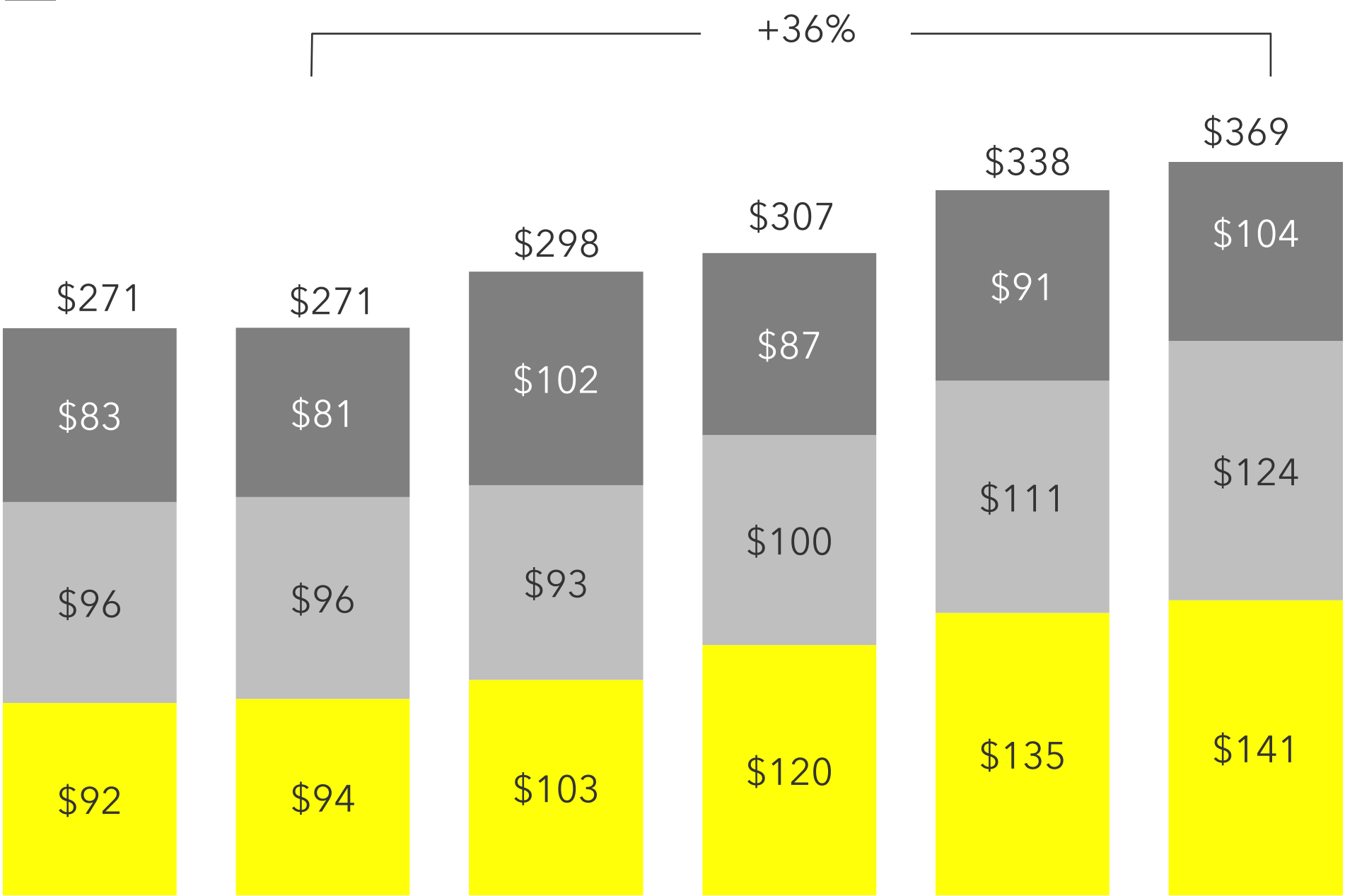
ADJUSTED OPERATING EXPENSES AS A % OF REVENUE



OPERATING EXPENSES COMPOSITION

(in millions, unaudited)

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



Total Non-GAAP Exclusions¹

Total GAAP Operating Expenses

	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20
Total Non-GAAP Exclusions ¹	\$180	\$290	\$198	\$207	\$216	\$254
Total GAAP Operating Expenses	\$452	\$561	\$495	\$514	\$553	\$623

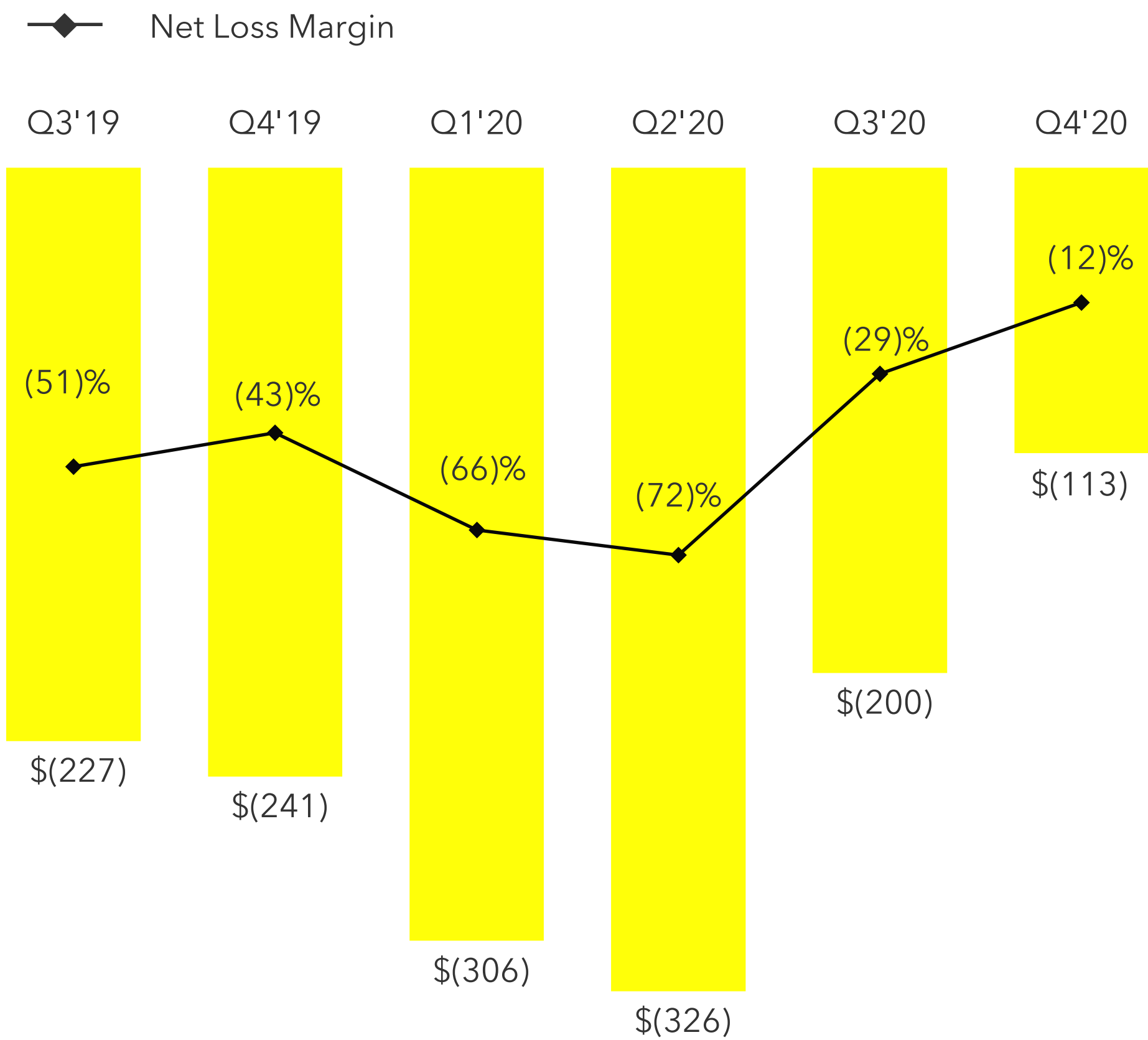
¹Excludes stock-based compensation expense and related payroll tax expense, depreciation and amortization and certain other non-cash or non-recurring items impacting net income (loss) from time to time. Refer to Appendix for a description of non-recurring items, including securities class actions legal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

ADJUSTED OPERATING EXPENSES AS A % OF REVENUE DECREASED 8 PPT YoY

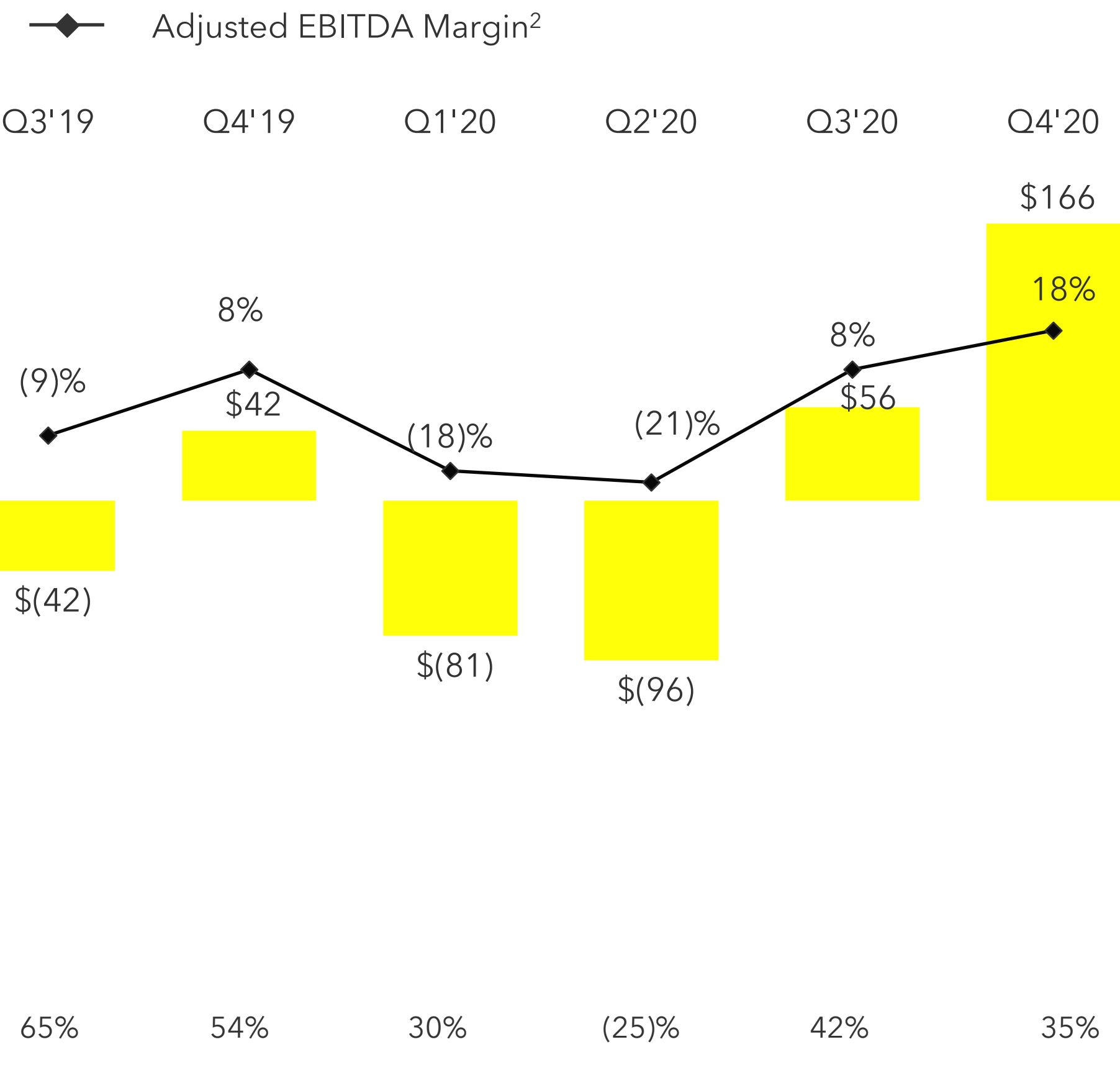
Net Loss & Adjusted EBITDA¹

(dollars in millions, unaudited)

NET LOSS



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.

²We define Adjusted EBITDA margin as Adjusted EBITDA divided by GAAP revenue.

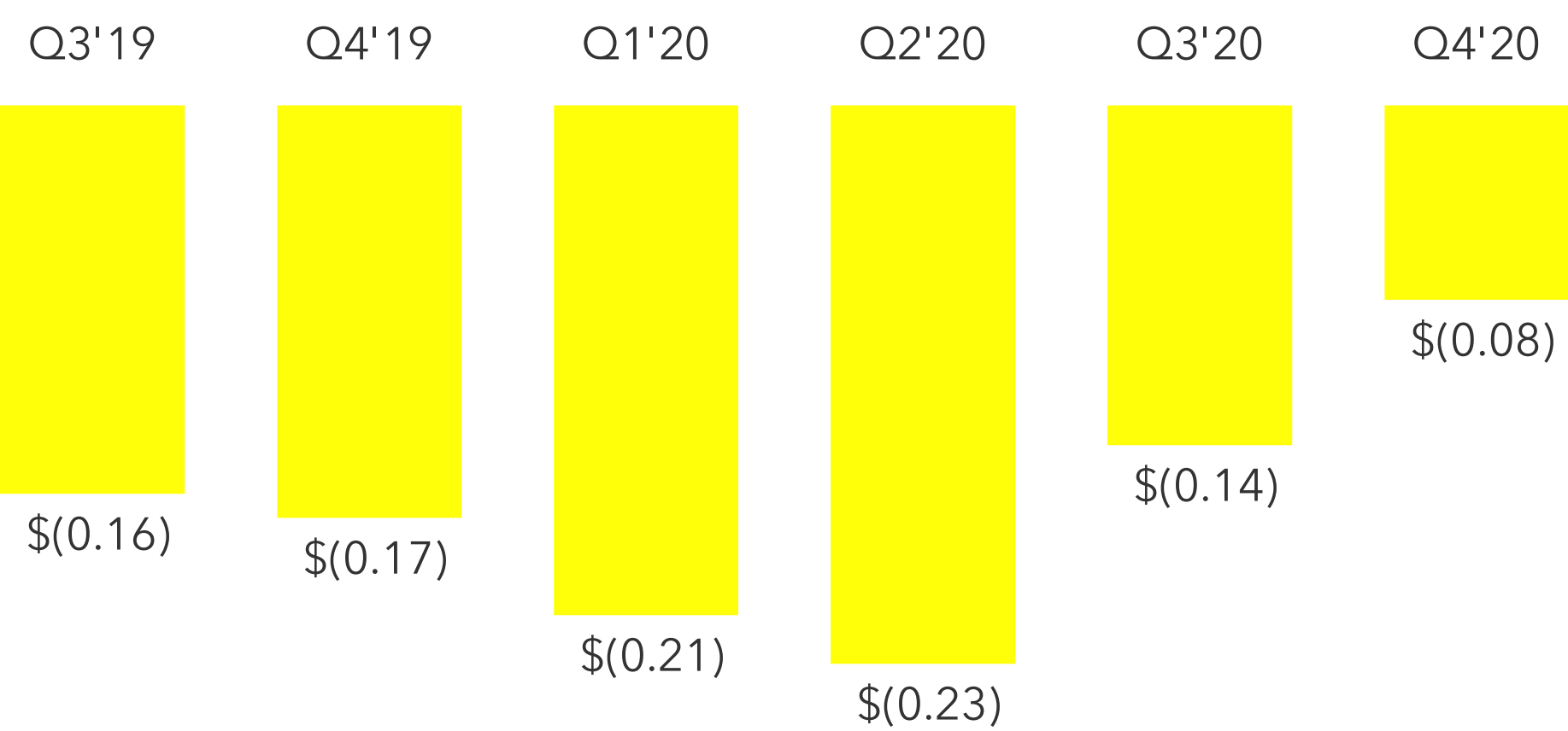
³We define Adjusted EBITDA leverage as the year-over-year change in Adjusted EBITDA divided by the year-over-year change in GAAP revenue.

**ADJUSTED EBITDA WAS \$166 MILLION IN Q4 2020,
2020 IS THE FIRST FULL YEAR OF ADJUSTED EBITDA PROFITABILITY AT \$45 MILLION**

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

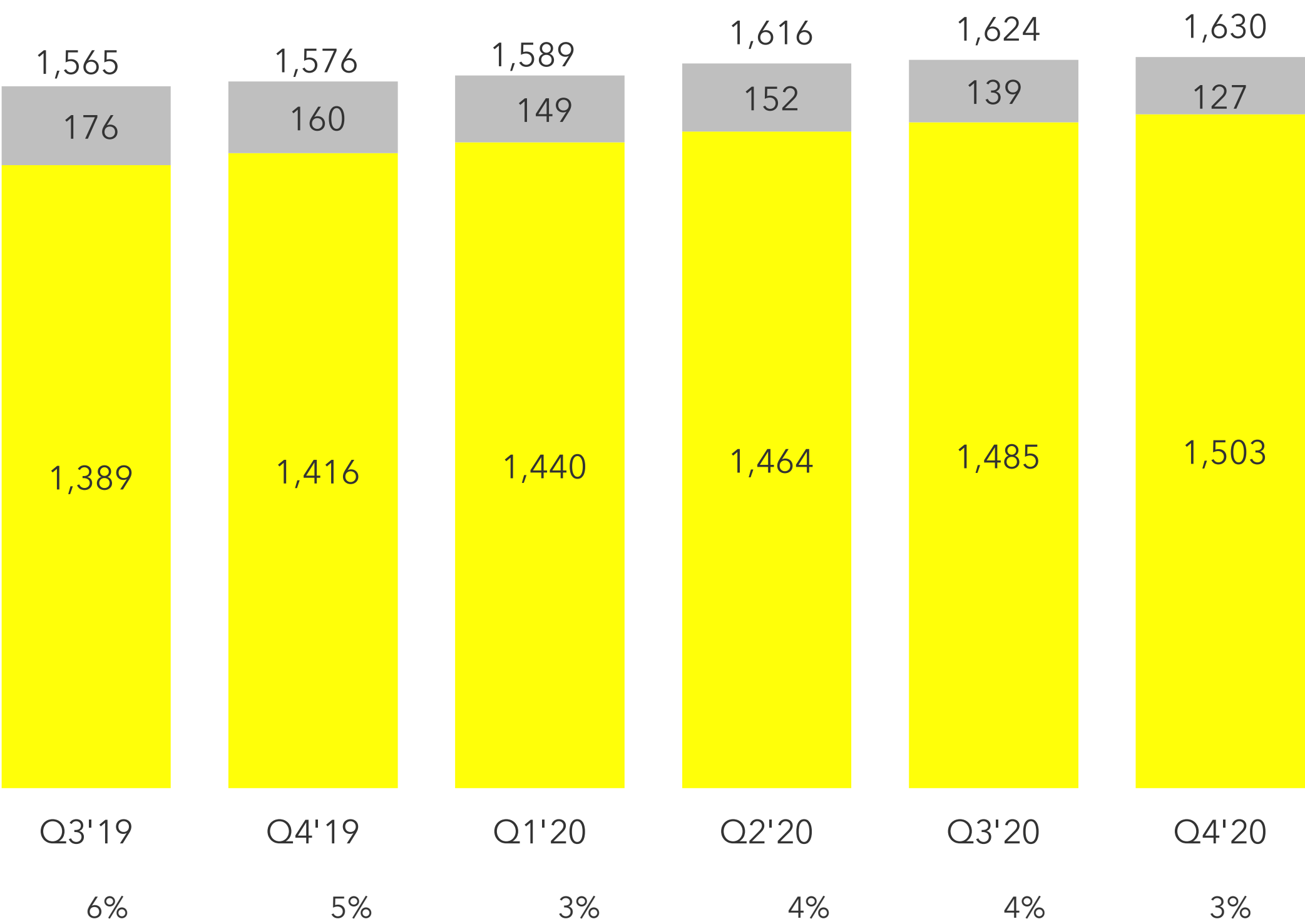
(in millions, except per share data, unaudited)

DILUTED NET LOSS PER SHARE¹



COMMON SHARES OUTSTANDING PLUS SHARES UNDERLYING STOCK-BASED AWARDS

- Common Shares Outstanding
- Shares Underlying Stock-Based Awards²



YoY Change

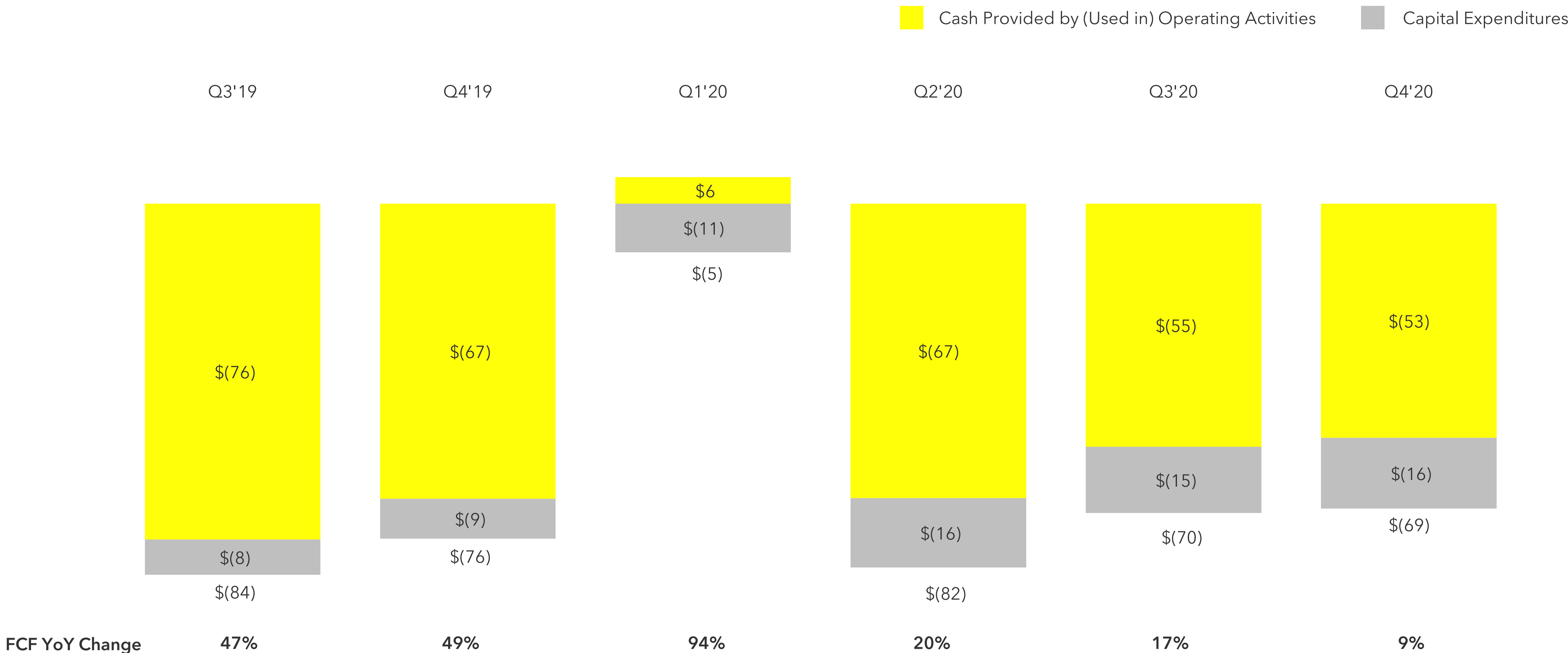
6% 5% 3% 4% 4% 3%

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

DILUTED NET LOSS PER SHARE IMPROVED \$0.09 YoY

Operating Cash Flow and Free Cash Flow¹

(in millions, unaudited)



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. Operating cash flow and free cash flow in Q4'20 includes a \$98 million payment from non-recurring legal charges related to the securities class action in 2019.

Financial Guidance

The following forward-looking statements reflect our expectations for the first quarter of 2021 as of February 4, 2021, 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 2021 Outlook

- Revenue is estimated to be between \$720 million and \$740 million, compared to \$462 million in Q1 2020.
- Adjusted EBITDA is estimated to be between \$(70) and \$(50) million, compared to \$(81) million in Q1 2020.

Appendix

Non-GAAP Financial Measures Reconciliation

(in thousands, unaudited)

	Three Months Ended					
	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
Free Cash Flow Reconciliation						
Net cash used in operating activities	\$ (76,149)	\$ (66,842)	\$ 6,283	\$ (66,554)	\$ (54,828)	\$ (52,545)
Less:						
Purchases of property and equipment	(7,938)	(9,093)	(10,891)	(15,767)	(14,727)	(16,447)
Free Cash Flow¹	\$ (84,087)	\$ (75,935)	\$ (4,608)	\$ (82,321)	\$ (69,555)	\$ (68,992)

	Three Months Ended					
	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
Adjusted EBITDA Reconciliation						
Net loss	\$ (227,375)	\$ (240,704)	\$ (305,936)	\$ (325,951)	\$ (199,853)	\$ (113,099)
Add (deduct):						
Interest income	(10,317)	(10,463)	(8,589)	(4,768)	(2,801)	(1,969)
Interest expense	8,654	14,775	15,113	24,727	28,212	29,176
Other (income) expense, net	1,481	(17,536)	12,389	(3,575)	5,669	(29,471)
Income tax (benefit) expense	(1,296)	332	659	(1,041)	909	18,127
Depreciation and amortization	20,646	20,620	21,204	20,925	21,804	22,811
Stock-based compensation expense	161,228	166,655	172,049	186,171	192,080	219,882
Payroll tax expense related to stock-based compensation	4,604	8,628	11,874	7,942	10,341	20,152
Securities class actions legal charges	-	100,000	-	-	-	-
Adjusted EBITDA²	\$ (42,375)	\$ 42,307	\$ (81,237)	\$ (95,570)	\$ 56,361	\$ 165,609

¹ We 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. 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. 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, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
Non-GAAP net income (loss) reconciliation						
Net loss	\$ (227,375)	\$ (240,704)	\$ (305,936)	\$ (325,951)	\$ (199,853)	\$ (113,099)
Amortization of intangible assets	6,915	7,067	7,980	7,378	8,422	9,727
Stock-based compensation expense	161,228	166,655	172,049	186,171	192,080	219,882
Payroll tax expense related to stock-based compensation	4,604	8,628	11,873	7,942	10,341	20,152
Securities class actions legal charges	-	100,000	-	-	-	-
Income tax adjustments	200	289	(59)	86	388	(511)
Non-GAAP net income (loss)¹	\$ (54,428)	\$ 41,935	\$ (114,093)	\$ (124,374)	\$ 11,378	\$ 136,151
Weighted-average common shares - Diluted						
	1,392,864	1,409,519	1,426,305	1,447,022	1,466,420	1,484,277

Three Months Ended						
	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
Non-GAAP diluted net income (loss) per share reconciliation						
GAAP diluted net loss per share	\$ (0.16)	\$ (0.17)	\$ (0.21)	\$ (0.23)	\$ (0.14)	\$ (0.08)
Non-GAAP adjustment to net loss	0.12	0.20	0.13	0.14	0.15	0.17
Non-GAAP diluted net income (loss) per share¹	\$ (0.04)	\$ 0.03	\$ (0.08)	\$ (0.09)	\$ 0.01	\$ 0.09

¹ 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 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

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 increase as we grow in Rest of World markets where users may have poor connectivity. We do not adjust our reported metrics to reflect this underreporting. We believe that we have adequate controls to collect user metrics, however, there is no uniform industry standard. We continually seek to 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 may exclude those users from our age demographics or estimate their ages based on a sample of the self-reported ages we do have. If our active users provide us with incorrect or incomplete information regarding their age or other attributes, then our estimates may prove inaccurate and fail to meet investor expectations.

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. 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 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 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.