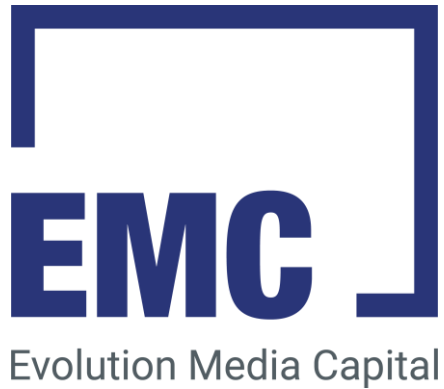


Snapchat (SNAP) 2017 Q4 Earnings Summary

February 2018

*Sign Up For Additional Research From Evolution Media Capital*



# Snapchat (SNAP) 2017 Q4 Earnings Summary

February 2018

# Snapchat Key Takeaways



## Snapchat Is Evolving From A Communication Tool To A Content Distributor

### APP REDESIGN

- **Redesign separates social from media, solving many of the problems that arise when friends are commingled with professional content creators**
  - Easier to use, brings friends together, and elevates the content in Discover
  - **Will be available to the entire community in Q1**

### PROGRAMMATIC

- **Advertising business changed profoundly over the past year as they migrated the sale of Snap Ads to an automated auction**
  - **In 2017 Q4, over 90% of Snap Ad impressions were delivered programmatically, compared to under 10% in 2016 Q4**
  - Snap Ads sold through the auction are going to continue to be the main revenue driver in 2018
- Advertisers have embraced this transition as the number of advertisers spending in the auction doubled quarter-over-quarter
- **Less focused on price and more on driving ROI for advertisers in order to attract more advertisers to the platform**

### AD PRODUCTS & FEATURES

- **Sales force is becoming a consultant to clients, educating them on how to create vertical video ad units that really works in the mobile environment**
  - In Q4, launched a new ad format called Promoted Story, making it the first story ad unit available
  - Large advertisers continue to take advantage of Lenses and Filters as part of their premium content strategy
  - Aggressively moving into e-commerce customers with Pixel, which helps advertisers measure performance and actions

### PARTNERSHIPS

- Built content business on the idea that sustainable partnerships benefit everyone: partners, community and the company
- **Biggest mobile partner for the 2018 Winter Olympics and it is an extension of a strong overall partnership with NBCUniversal**
  - **Look to these tentpole events as engagement drivers as well as financial drivers**
- **Recently launched partnerships with wireless carriers in over a dozen markets to reduce bandwidth costs for Snapchatters**
  - When data is less expensive, more people are willing to use its data-intensive products

### ANDROID AND GLOBAL

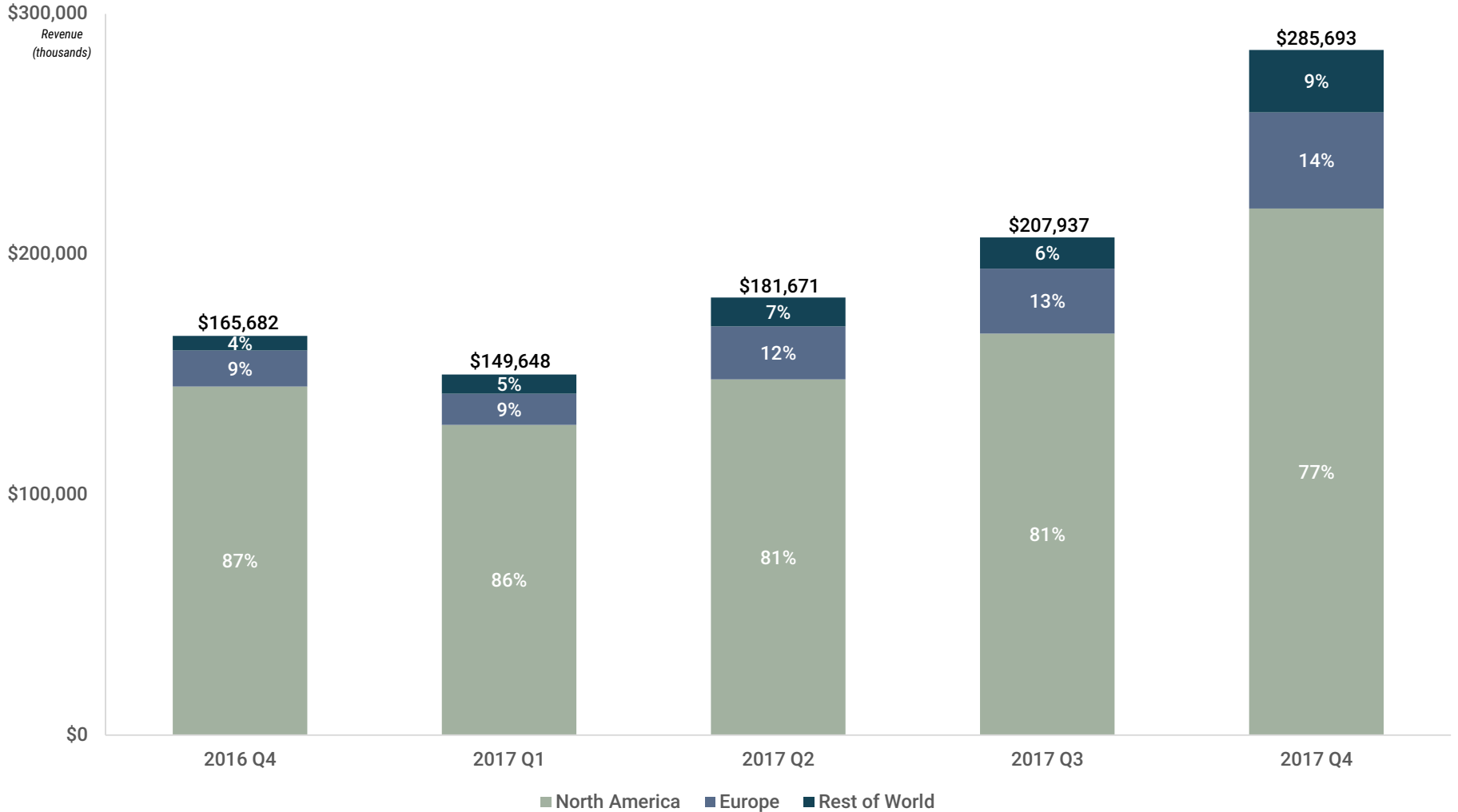
- Retention rate of new Android users increased by nearly 20% when compared to last year
- **Q4 saw significantly more new Android users as a percentage of net additional users than any other quarter in its history**
- Have some of the lowest ever crash rates, but are still going to be doing a lot of work to rebuild the Android application
- **International is a great opportunity because more and more advertisers in the international market wants to use Snapchat to reach their audience**

*While advertisers are drawn to the younger user base, Snapchat's success will be determined by adoption of older people*

# Revenue



## The Q4 Revenue Jump Is Slightly Skewed By The Seasonality Of Big Brand Advertising

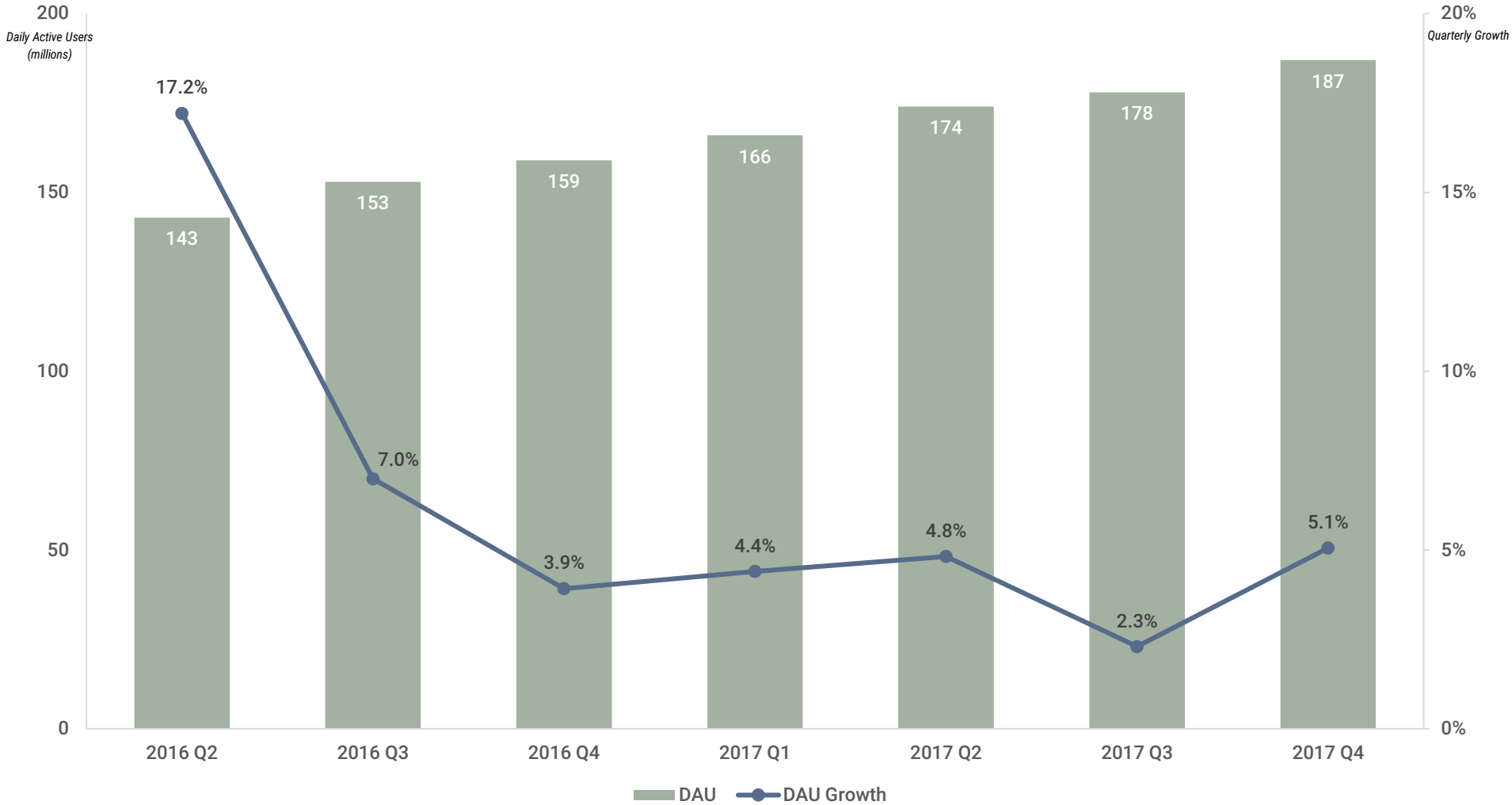


*The company is taking the steps to build out a more comprehensive ad tech platform to attract more advertisers*

# DAU



## Snapchat Will Need To Further Expand In International Markets To Grow Their User Base

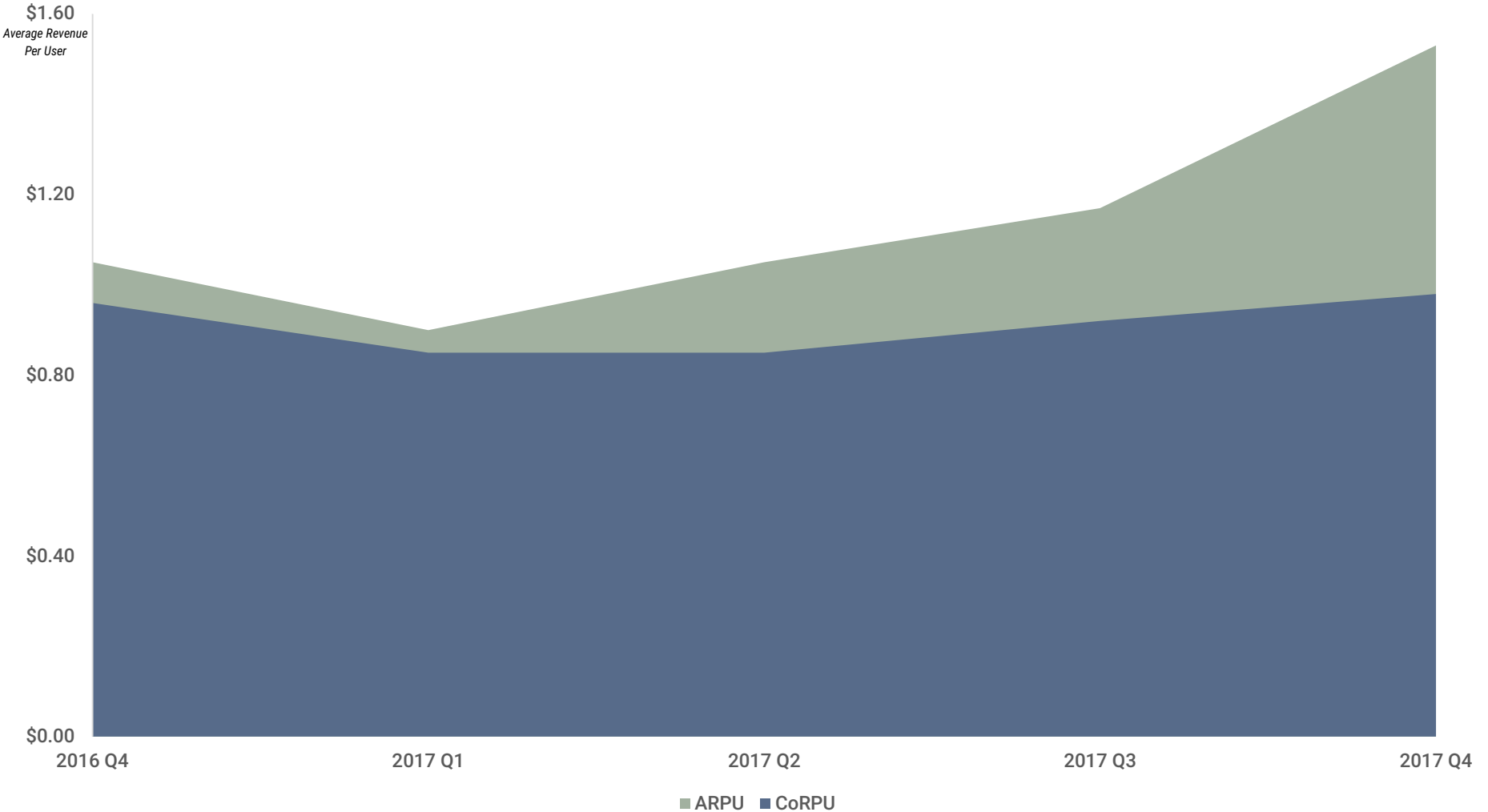


*By redesigning the app, there is potential to expand outside of the core millennial user base*

# ARPU



## Snapchat Has Gotten Better At Monetizing Its User Base



*Due to the minimal costs, advertisers that embrace the unique features of the platform can achieve outsized returns*

Note: CoRPU is Cost of Revenue Per User

