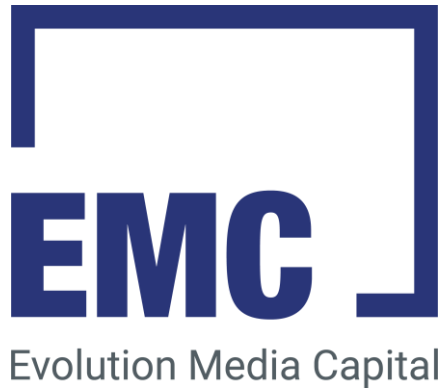




Snapchat (SNAP) 2018 Q1 Earnings Summary

May 2018

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Snapchat Key Takeaways



Snapchat Is Redesigning The App To Be A Communication Service And Content Platform

REDESIGN

- **In Q1, rolled out the redesign of its application and expect some disruption, given the high frequency of daily engagement**
 - **Time spent remained over 30 minutes per day and have started seeing increased new user retention for older users**
- Driven by the fundamental belief that separating friends from professional content creators is important for long-term growth
 - **Tried to make Snapchat feel more personal for people who want to use it exclusively with their friends and also more valuable for people who want to use that large audience**

SELF-SERVICE

- **Snap Ads business has become a much bigger piece than the creative tools over the past year as they moved to programmatic**
 - Ended the quarter with 95% of Snap Ad impressions served programmatically, up from 90% in the prior quarter
- **Key priority is to grow SMB, as a lot of those businesses are increasingly adopting digital marketing platforms**
 - Rolling out self-serve tools and investing to create a frictionless ad buying experience that has led to 30% quarter-over-quarter revenue growth

AD PRODUCTS

- In December, launched a new ad format called Story Ads, which allows advertisers to leverage the familiar Stories format
 - Has self-service capabilities so that advertisers can use the same advanced targeting that they use for Snap Ads
- **When users are playing with the lens, advertisers can include a button that will redirect them to a video, website or app store**
- When they started the ad business, full-screen vertical video was very foreign to many advertisers and there was pushback
 - **Advertisers are seeing the value of the full-screen storytelling ad and other publishers also are embracing this format**

ROI

- **ROI is the best incentive they can offer advertisers and have been working to show it across multiple products and verticals**
 - Collaborated with Nielsen to allow advertisers to measure the incremental reach of their Snapchat campaigns relative to TV campaigns
- **Not really focused on pricing right now, but instead are more focused on bringing more advertisers on the platform**
 - Helping them understand the platform will create more choices to show right ad to the right users which will drive ROI

ANDROID

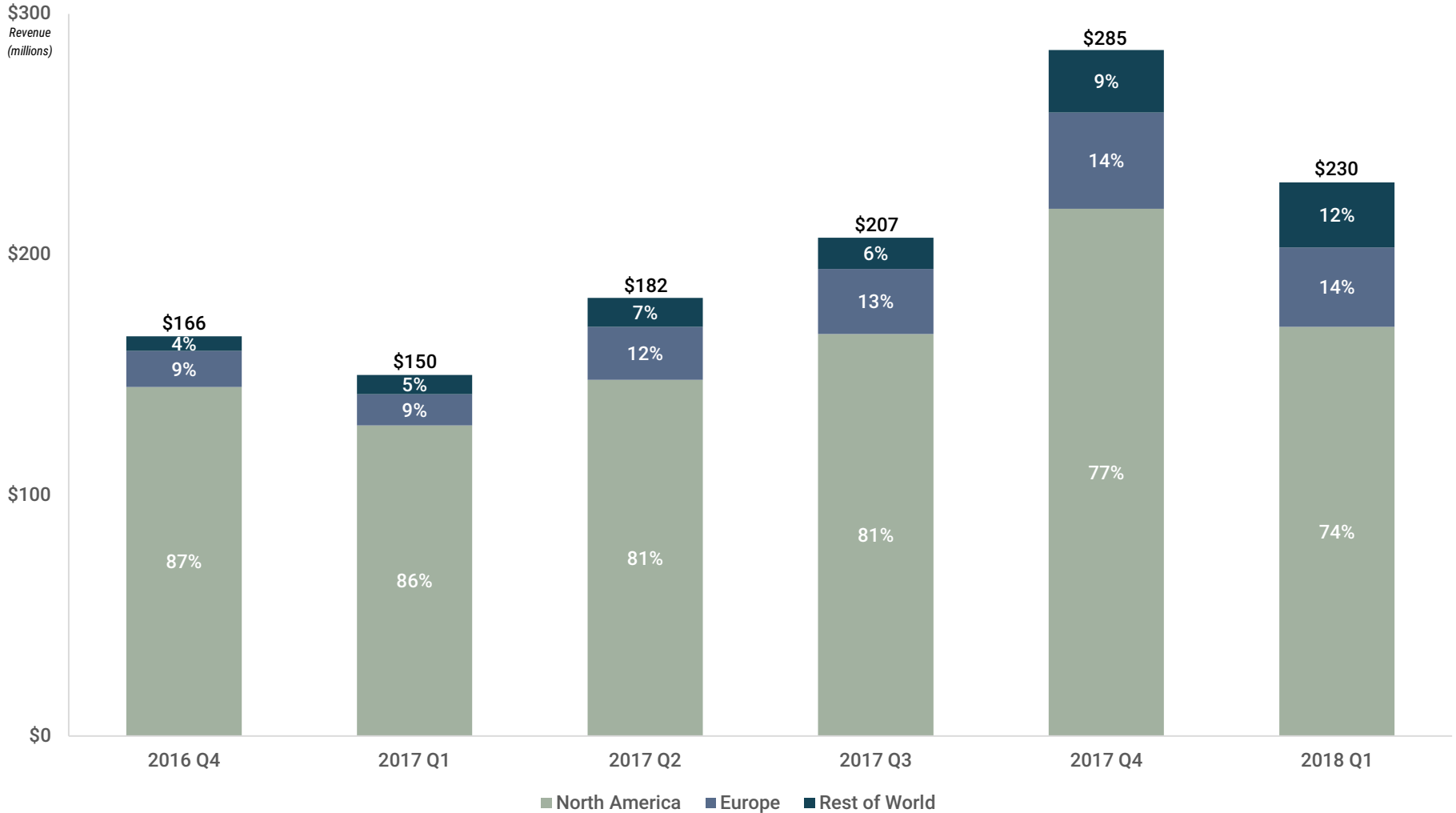
- **Android performance is still a weakness, but they are making significant progress**
 - **New version is expected to launch in Q3 and will alleviate many of the performance-related issues**
 - Incorporating some new components into the existing application to improve performance in the near term
- It has been completely rebuilt from the ground up to be lightweight, performant and modular
 - **Re-architecture will enable the entire team to move a lot faster as they build new features**

Advertisers might be reluctant to engage if they can't reach the entire user base

Revenue



The Recent Move To Programmatic Helps Improve ROI, Which Attracts More Advertisers To The Platform

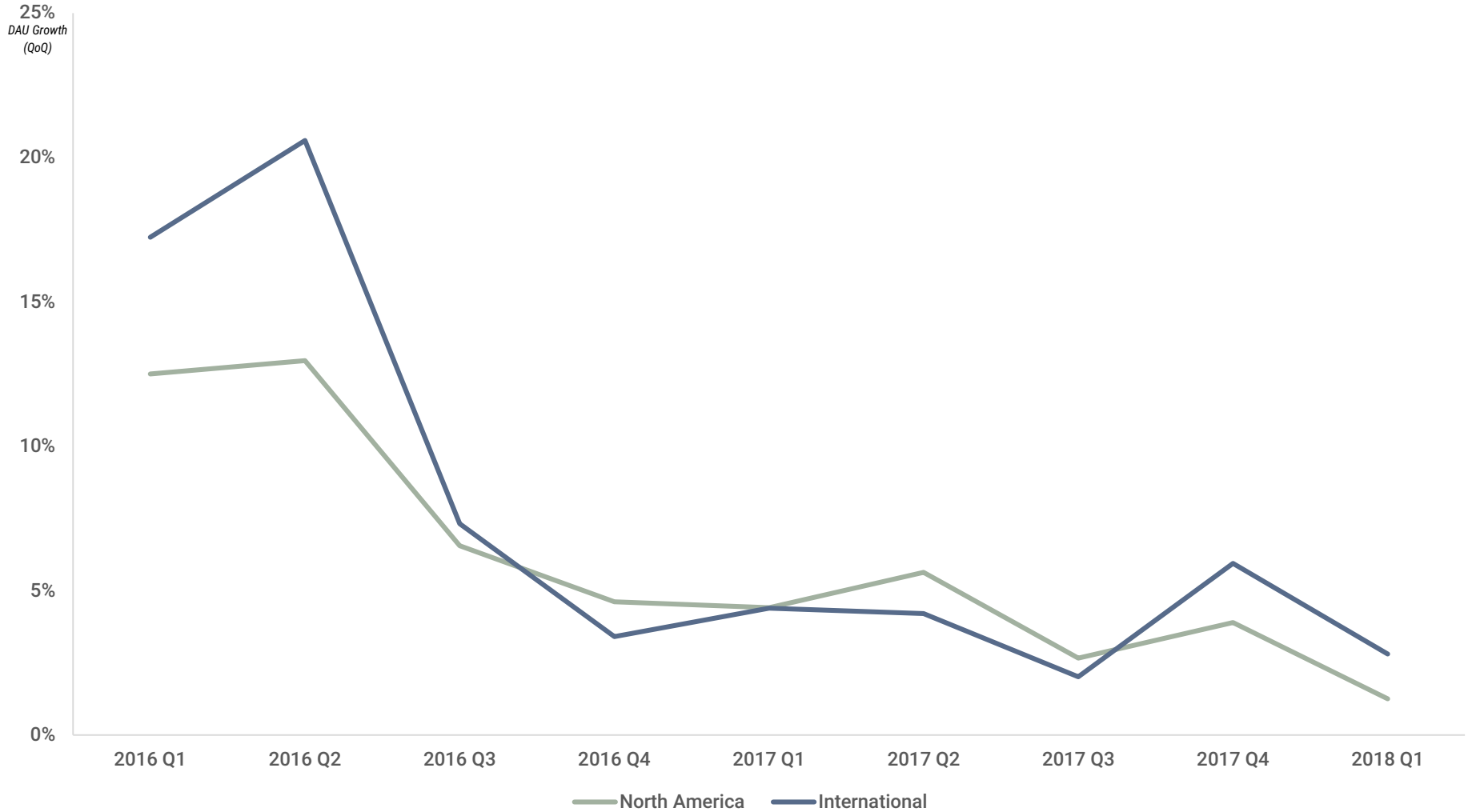


With small budgets, local businesses get the most value out of highly targeted digital marketing campaigns

DAU



Daily Active User Growth Continues To Slow Down, Making It Difficult To Attract Advertisers

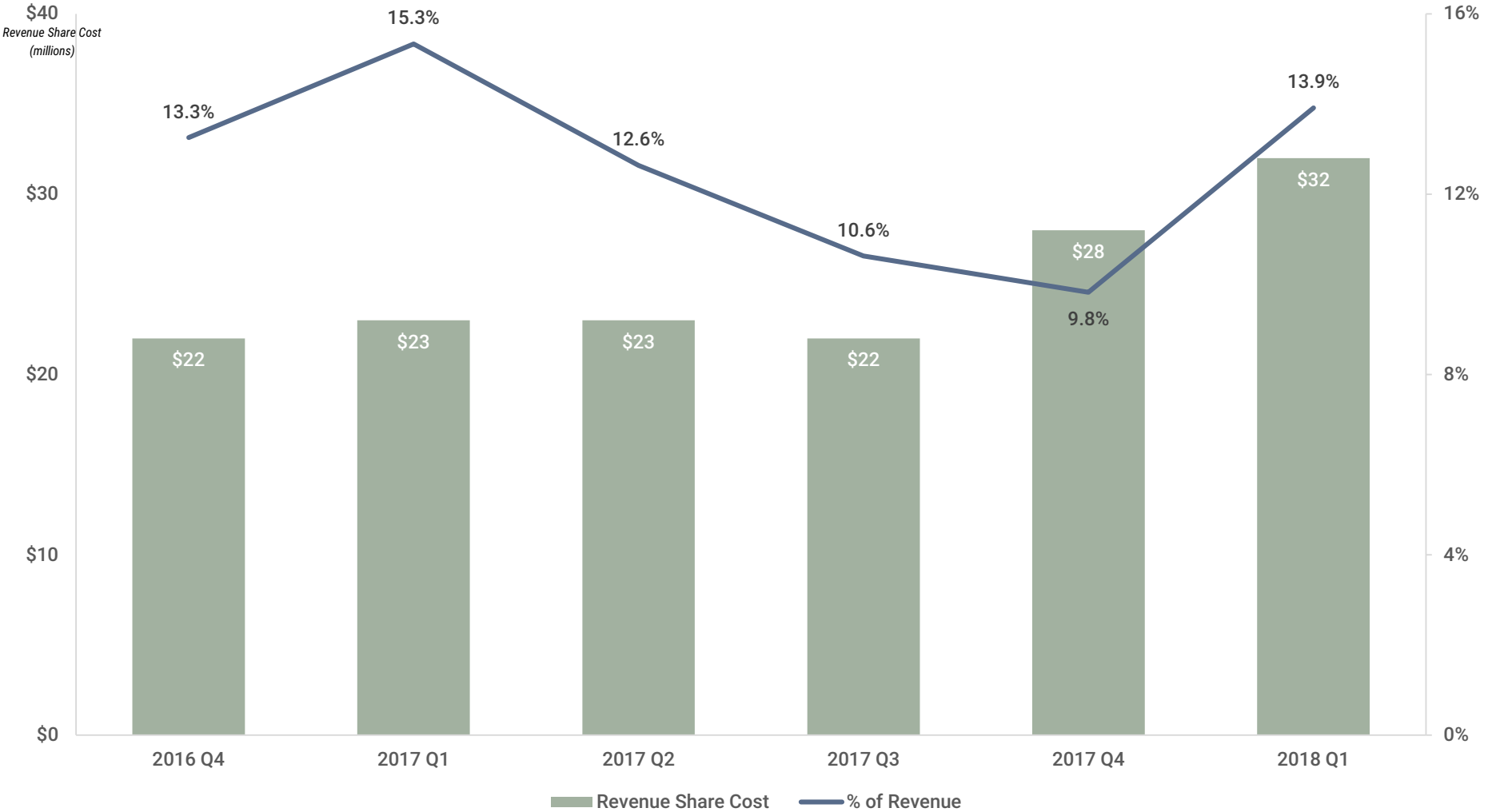


The release of a functional Android version is essential to growing the international audience

Revenue Sharing



Content Creators, Especially Individual Users, Will Be Drawn To Platforms With Large Audiences



Advertisers will follow the eyeballs, making it easier to increase revenue sharing splits