



Snapchat (SNAP) 2018 Q2 Earnings Summary

August 2018

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Snapchat Key Takeaways



Snap Continues To Face Challenges As They Pivot From A Social Network To A Content Platform

ADVERTISING

- **Shift to programmatic has removed friction from the advertising business and allowed them to scale to many more advertisers**
 - Still need to have a sales organization who are consultative and who can educate the market on best practices
- **Bringing a lot more advertisers onto the platform so that they can show the most relevant ad to the most relevant users all the time**
 - Making significant progress with their targeting capabilities based on users' interest
 - Extended partnership with Nielsen to allow advertisers the ability to reach audiences based on actual purchase data

MONETIZATION

- **See a lot of opportunities over time to monetize all aspects of the app, including communication, the camera and Discover**
 - Right now, they are focused on driving innovation that will enhance user experience and engagement
- **Excited about the potential of the domestic business because they have more than 100 million MAU in U.S. and Canada**
 - Major events like World Cup and Olympics are more engagement drivers, rather than revenue drivers
 - They have a more millennial audience, which is very attractive to a lot of advertisers

REDESIGN

- **It's been 6 months since they broadly rolled out the redesign and have been working hard to iterate and improve Snapchat**
 - Combines the strength of its close-friend network that brings people to the app every day with an infinite scroll of personalized content
 - Looking to expand the long tail of their content offering
- **One of the most important things about the redesign is being able to surface the right content to the right people as quickly as possible**
 - Separating out Friend Stories rather than mixing them in with all sorts of other content makes them easier to find

ANDROID

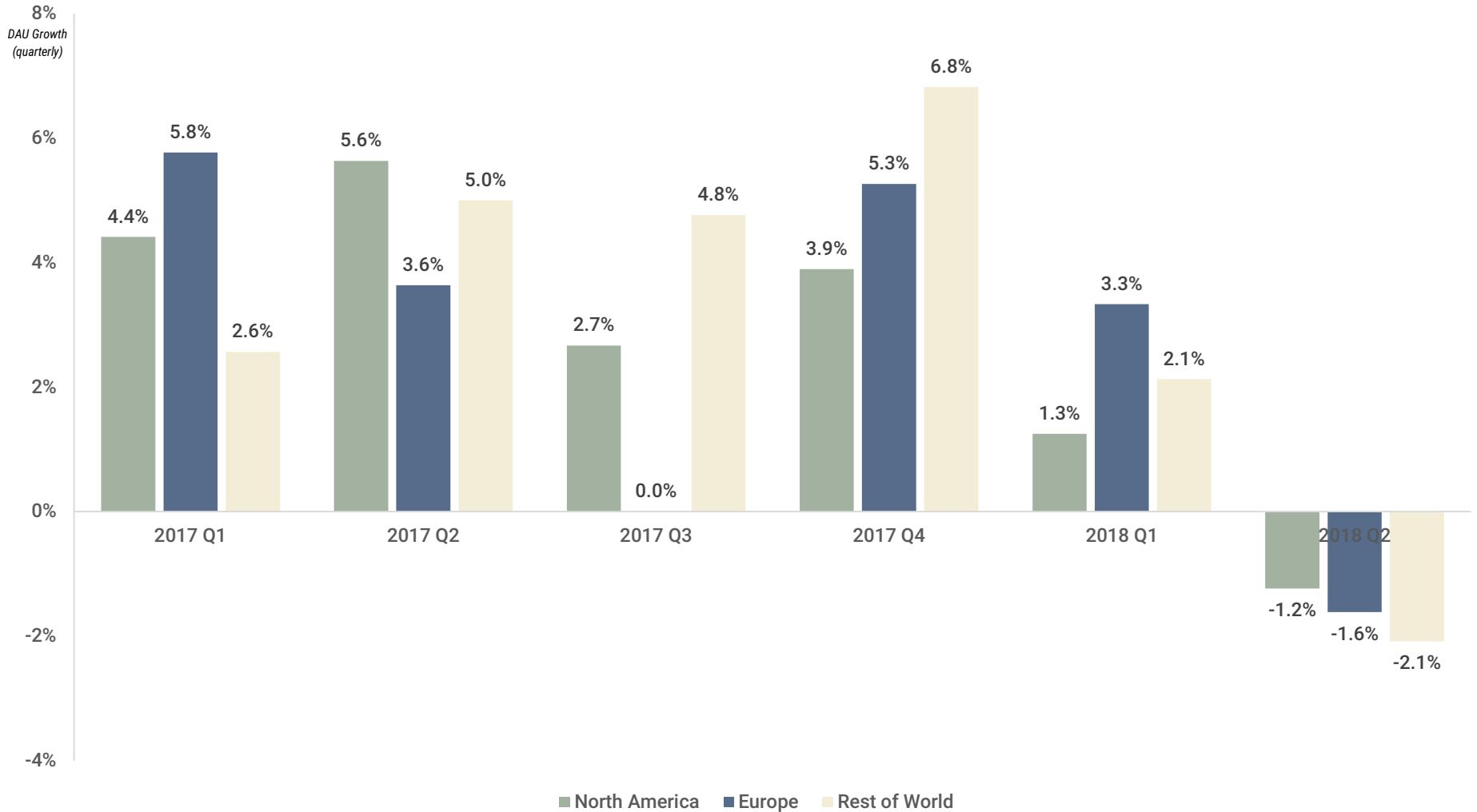
- **Have been working for over a year to completely rewrite the application in order to take advantage of the latest Android capabilities**
 - Modularized structure makes it easier to innovate in the future
 - Internal tests show substantial improvements in important application performance metrics
- **Beginning to roll it out in select markets in beta and want to make sure that it's a great experience no matter what handset is used**
 - Another important piece is the network speed and the affordability of the network in different countries

As innovative features get copied by larger competitors, it will be difficult to retain users, let alone add new ones

DAU



Users Have Been Disengaging With The App Following The Disruption Caused By Their Redesign

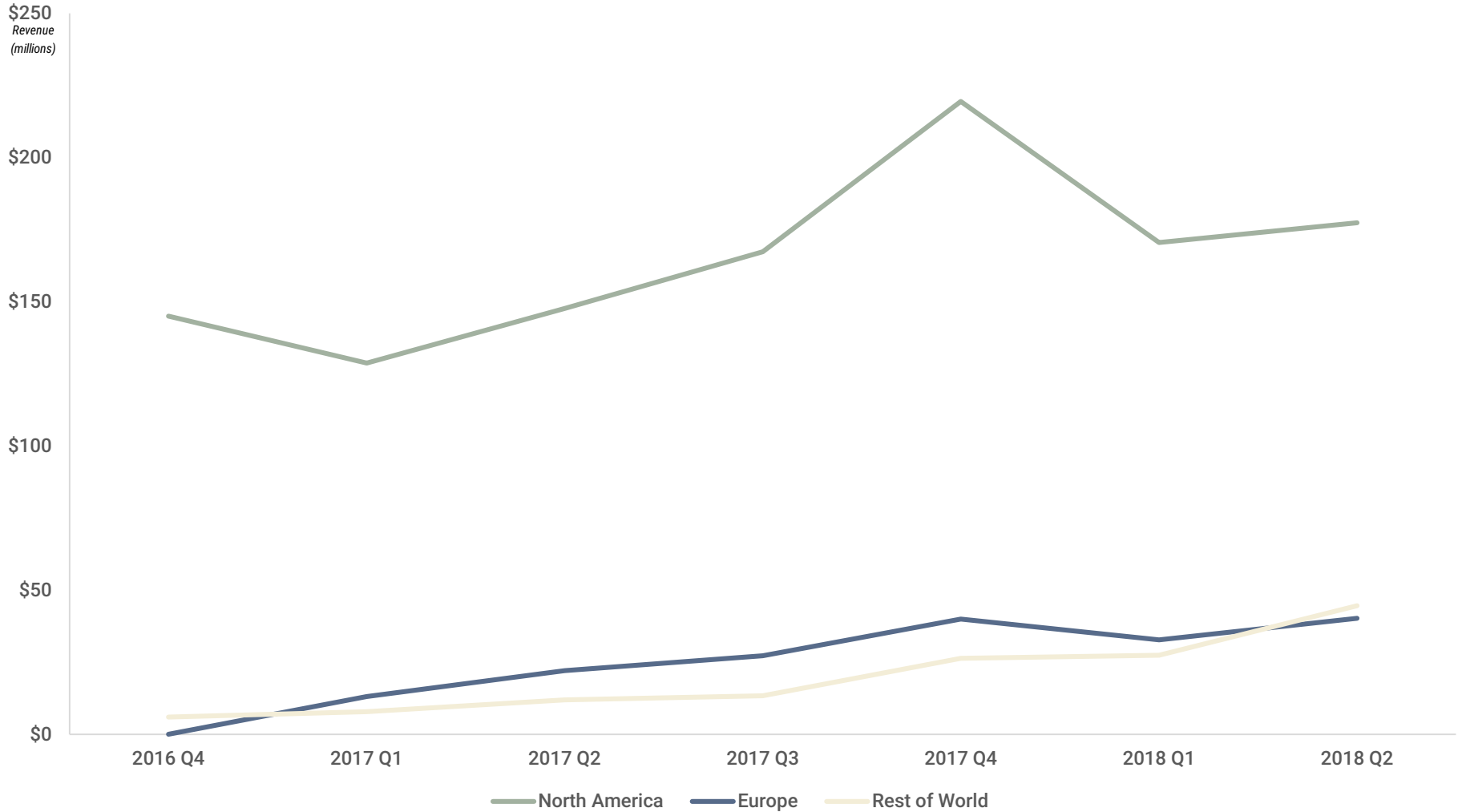


The roll out of the new Android application can improve user growth in emerging markets around the globe

Revenue



The Transition To Programmatic Helps Drive ROI For Advertisers And Improves The User Experience

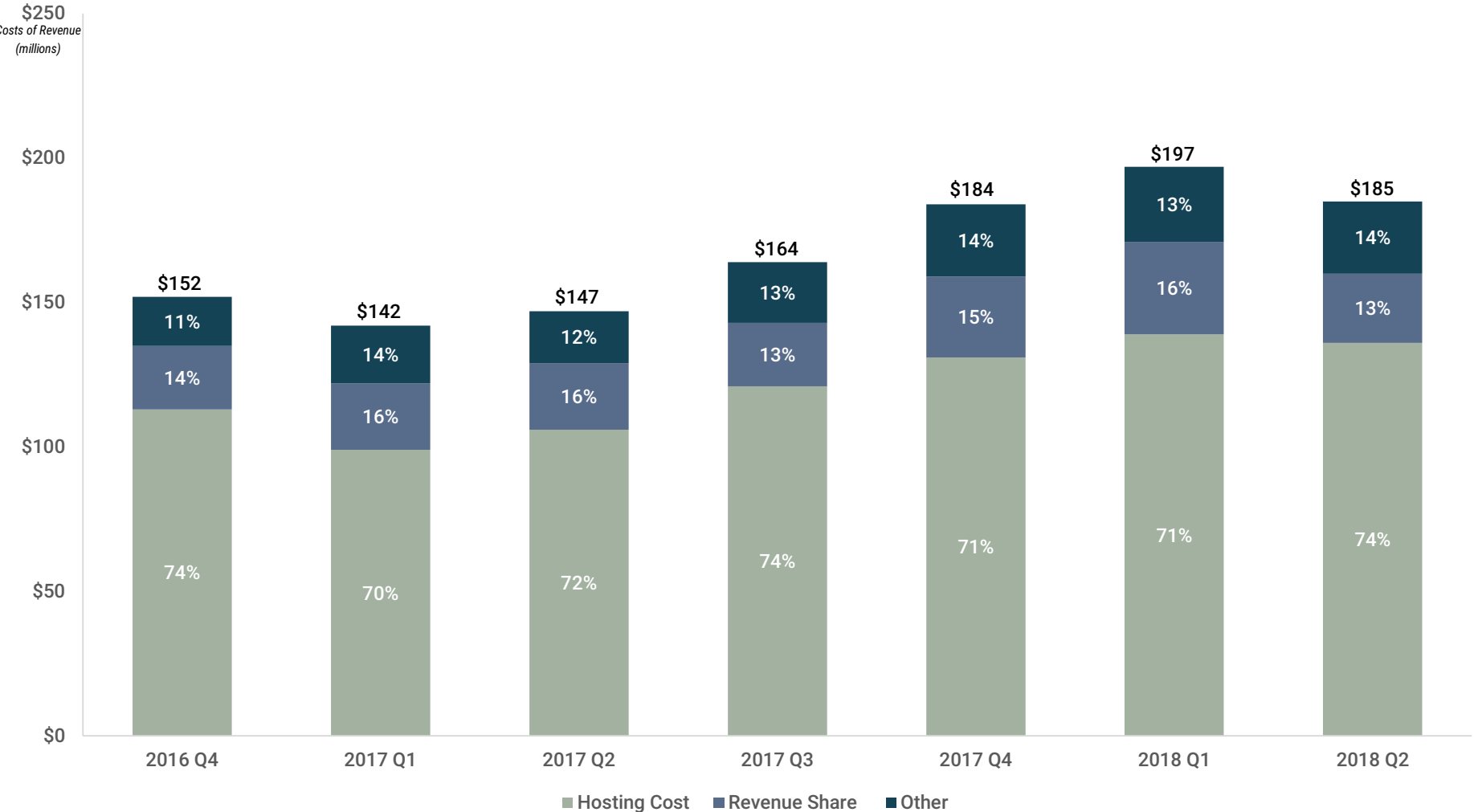


Unlike other digital platforms, they've been able to monetize the APAC regions, seeing a lot of strength in Australia

Costs of Revenue



Their Coveted Millennial User Base Prefers Communication With Friends Rather Than 3rd Party Content



Improving operational efficiencies on their cloud environment will help improve margins as they scale internationally