



Snapchat (SNAP) 2018 Q4 Earnings Summary

February 2019

Sign Up For Additional Research From Evolution Media Capital



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Key Takeaways



Snapchat Is Continuing To Add New Product Features, But Is Struggling To Add New Users

USERS

- **Have a large, highly engaged millennial and Gen Z audience who can be difficult to reach on other channels**
 - 30% more people are watching Publisher Stories and Shows every day compared to last year, and they are consuming more
 - Learning how to become a more global company in terms of marketing and explaining their core product value to customers everywhere
- **Doing a lot more to customize and personalize the experience for folks who are a little bit older**
 - Thinking a lot about deepening engagement with 13 to 34 year-olds in the U.S. and Europe since it is already a strong core market

ANDROID

- **Engineering team remains focused on rebuilding their Android application to improve performance and quality**
 - Early tests show promising results, including a 20% reduction in the average time it takes to open Snapchat
 - Started rolling out the new version to a small percentage of their community, and will expand to more devices and regions over time
- **There's 2 billion people on Android who don't have Snapchat because they can't use the product today on lower-end phones**
 - If they can take a few percent market share there, it would make a real difference to their user base

DISCOVER

- **Re-design provides a platform that expands their content offering while continuing to reinforce communication with close friends**
 - New layout allows them to significantly increase premium content offerings with the addition of hundreds of new shows and publishers
- **Introduced new features on Discover that have helped generate a greater depth of engagement**
 - Have made the most progress in personalization and have been really working to refine their algorithms
 - Have innovated around their full-screen playback experience, and there's more to do there

ADVERTISING

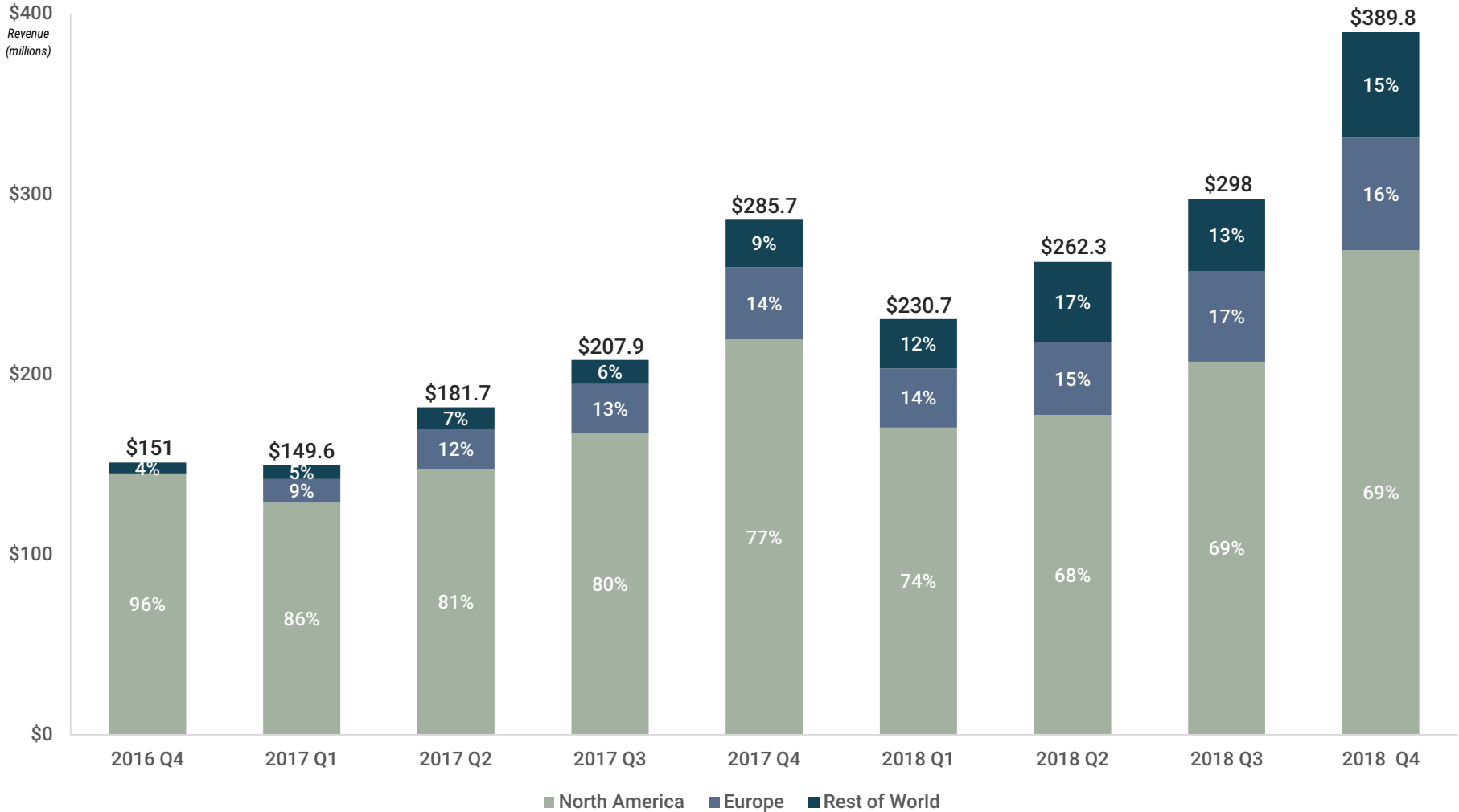
- **Commercials complement the high-quality, narrative experience of shows with a premium non-skippable video advertising format**
 - Already seeing the early stages of really advanced narrative development as mobile video continues to develop over the next 5 to 10 years
 - Customers are already in a lean-back experience watching shows that have a more narrative arch effectively over several minutes
- **Really excited that the vertical ad format is becoming incredibly well adopted throughout the industry**
 - Have experienced quarterly growth in the number of active ad accounts every quarter since Q2 2017

After losing many key executives over the past year, it may be difficult to restore the company to growth

Revenue



Since The App Is Only Available On Apple Devices, There Is Limited Revenue From Emerging Markets

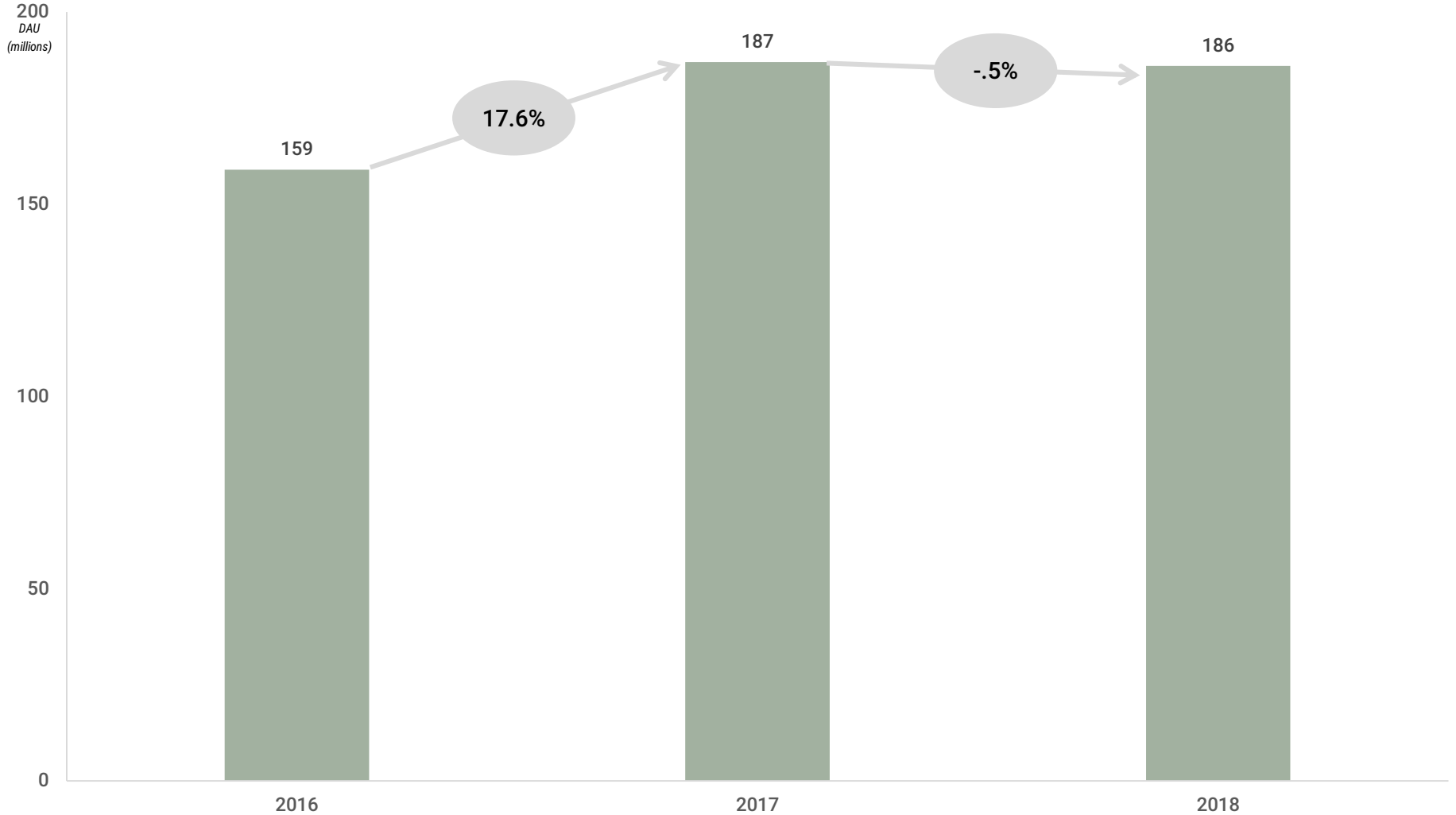


Mobile video is still in its infancy, so there early mover advantage in the space is rapidly disappearing

DAU



The Immediate Success Of Instagram Stories Has Slowed Down The Growth In Daily Active Users

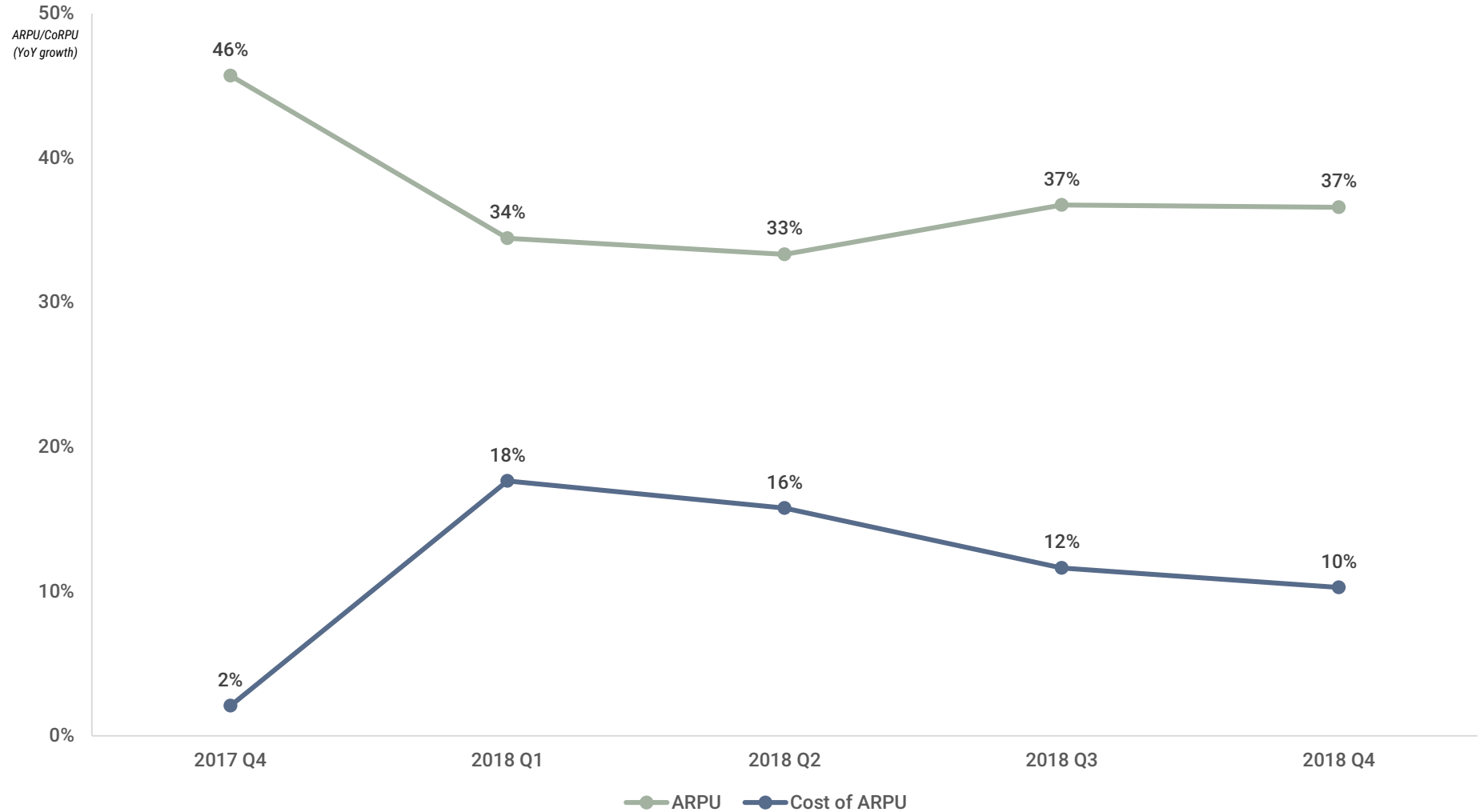


As the vertical format becomes more familiar to advertisers, monetization and ROI should improve across all apps

Costs of Revenue



The Shift Into Premium Content Will Start To Drive Up Costs Through Revenue Sharing Agreements



As more content is added to the platform, investments into AI and technology are necessary to improve personalization