



Snapchat (SNAP) 2019 Q4 Earnings Summary

February 2020

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# Key Takeaways



## Snapchat Is Trying To Improve Hosting Costs In Order To More Efficiently Scale Their High Bandwidth App

### ADVERTISING

- **Have significant headroom given their high levels of engagement and ample supply of available impressions globally**
  - Investing heavily to improve measurement, ranking and optimization to drive relevance and deliver ROI
- **Continue to invest heavily in innovative solutions that drive better outcomes for advertisers and video is a top priority**
  - As brands focus more on incremental reach and depth of engagement, more advertisers are employing formats that drive customer interactions
  - Combining engaging ad formats and easy-to-buy model within premium content placements has seen early success with high-quality brands

### CONTENT

- **Have dramatically expanded product and content offerings through partnerships, including their original shows**
  - Working with local partners to provide content that is tailored to diverse cultures and offer hundreds of locally relevant international channels
- **All of the content in Discover is curated, so they are really defining the pool of content that is served to the community**
  - In Q4, had more than 50 shows with monthly audiences of 10 million and the number of people watching more than 15 minutes per day is growing
  - Constantly trying to get the right balance between content that's really relevant, but also content that's high quality

### STRATEGY

- **Making progress against their goal of driving down underlying unit costs over time costs and getting them scaled appropriately**
  - Visual communication is a high bandwidth activity that can be burdensome in markets with limited and expensive cellular Internet
  - Partnered with over 70 international carriers to help manage these costs and median cellular data usage has been cut in half in the past 6 months
- **Having infrastructure costs get more efficient allows them to invest more in the future of the business on the content side**
  - Investing their own content, which is structured a little different, but can scale quite well as audience and engagement grows

### AUGMENTED REALITY

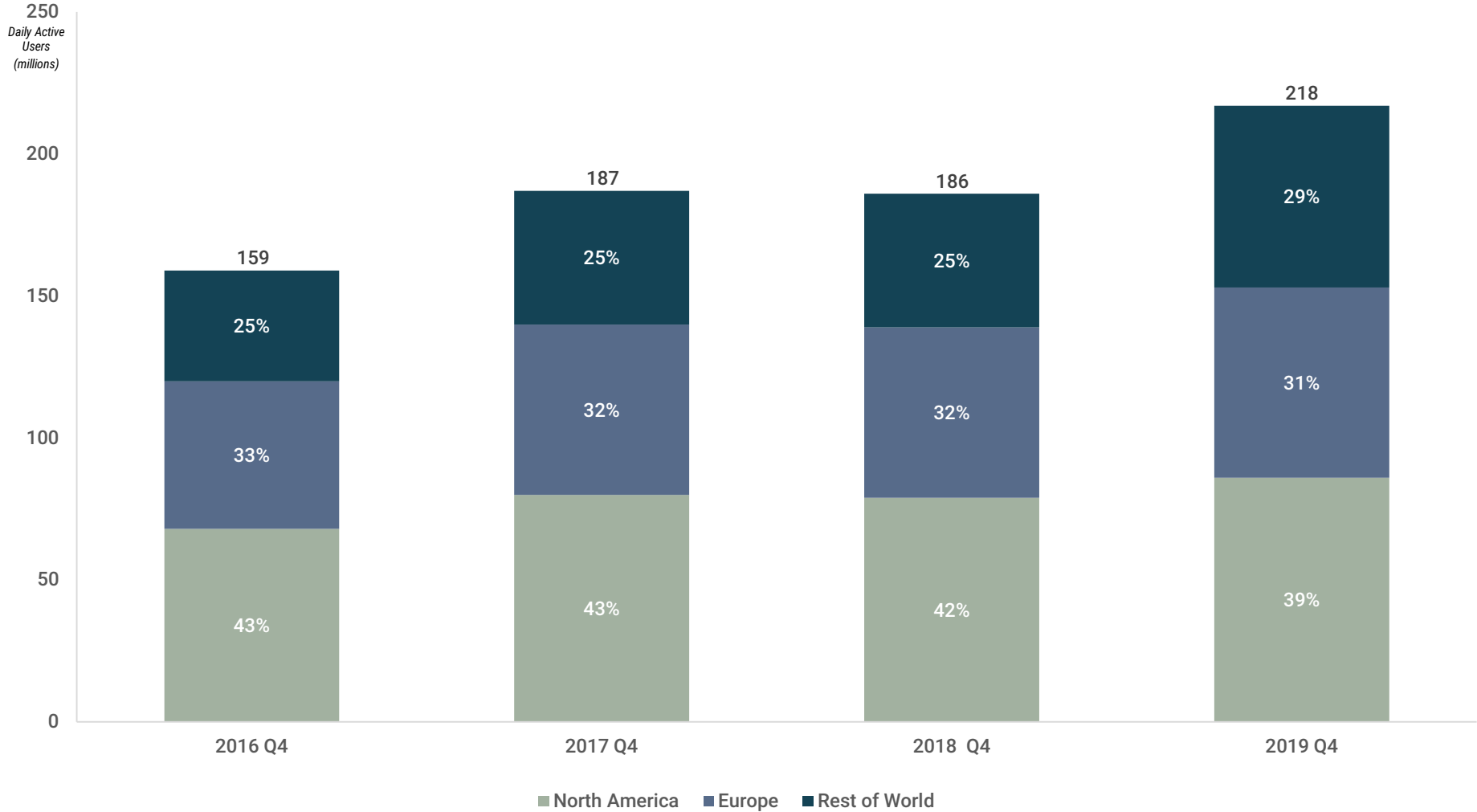
- **Focusing efforts on expanding the value that augmented reality is able to deliver beyond entertainment and self-expression**
  - Poised to continue growing advertiser adoption of ad formats as AR marketing becomes more widely adopted by businesses
- **As they start turning their products into platforms there is a lot of opportunity for durable innovation**
  - Community created AR lenses are really growing in engagement and popularity, so they don't have to come up with all the ideas
  - As more of the community discover cameos, they'll get really excited about them, and it has a lot of potential to drive growth in the future

*Despite owning the coveted Gen Z audience, demand for advertising on the platform remains underwhelming*

# DAU



Redesign Of The Android Application Has Paid Off In 2019, With Strong User Growth Outside Of The U.S.



*Users are part of the creative community and are able to build locally relevant products (i.e. lenses) in each market*

# Operating Income



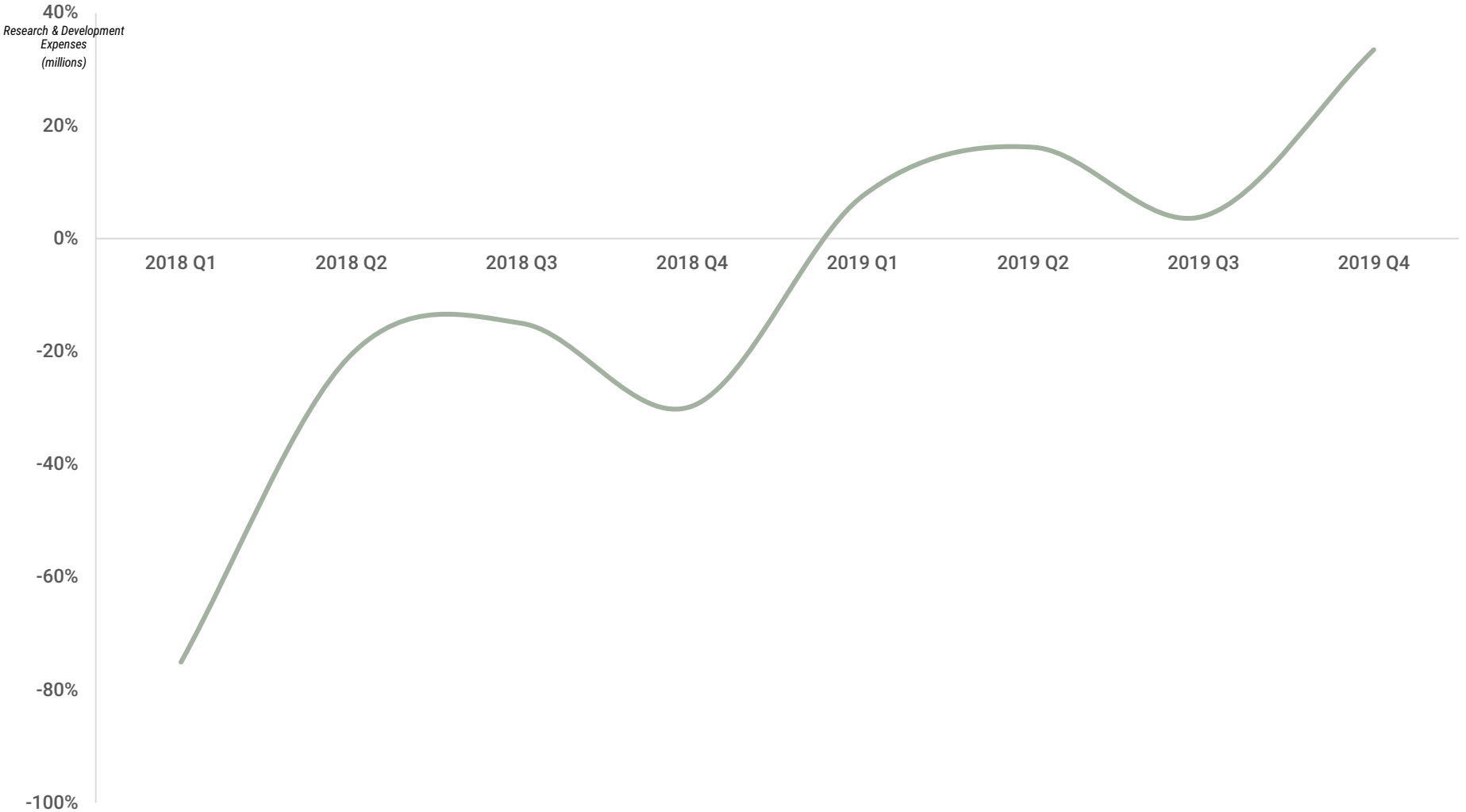
Focused On Increasing Investments In Order To Create A Platform That Can Accelerate Revenue Growth



*There will be additional hires in sales operations in order to improve their pipeline planning and organizational structure*



## In Emerging Markets, There Is A Greater Urgency To Reduce The Data Usage From Their AR Features



*New products, such as games and maps, are in earlier stages of development, but have potential to deepen engagement*