



Snapchat (SNAP) 2020 Q2 Earnings Summary

July 2020

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Key Takeaways



Snapchat Experienced A Significant Slow Down In Revenue Growth, But Are Seeing Signs Of A Recovery

ADVERTISING

- **Direct Response business has proven resilient as advertisers become more performance-oriented due to economic conditions**
 - Continue to see strong adoption of their goal-based bidding products driven by demand for down funnel bidding objectives
 - Rolling out Dynamic Ads globally so that retailers can run e-commerce campaigns that automatically optimize across their entire catalog
- **Upfront commitments are a tangible sign that they have shifted from experimental budgets into core part of a marketer's strategy**
 - Working with partners to be flexible in case they need to shift spending from 1 quarter to another or need to pause spending for periods of time

USERS

- **Observed an increase in DAU at the onset of widespread shelter in place orders, as people sought to stay connected from home**
 - This initial lift dissipated faster than anticipated but still saw sequential DAU growth from April to May and then again from May to June
- **Continuing to invest in app performance and localization to make the service more accessible to people all over the world**
 - These efforts have helped them grow even faster in emerging markets like India, where they have seen over 100% DAU growth over the past year
 - Still need to work on minimizing data consumption, and forming partnerships that help make data more affordable around the world

AUGMENTED REALITY

- **The future of customer interaction is immersive and their most engaging and creative ads are powered by AR lenses**
 - Brands have been investing heavily in AR capabilities to engage audiences that are not able to visit their stores or see their products in person
- **Longer term, see a significant opportunity for brands to provide utility for Snapchatters while generating real business value**
 - Brands are starting to invest beyond advertising and content by building fun, engaging and useful experiences
 - Recently launched Brand Profiles, an important first step towards building a native home for all of the organic experiences that brands are building

CONTENT

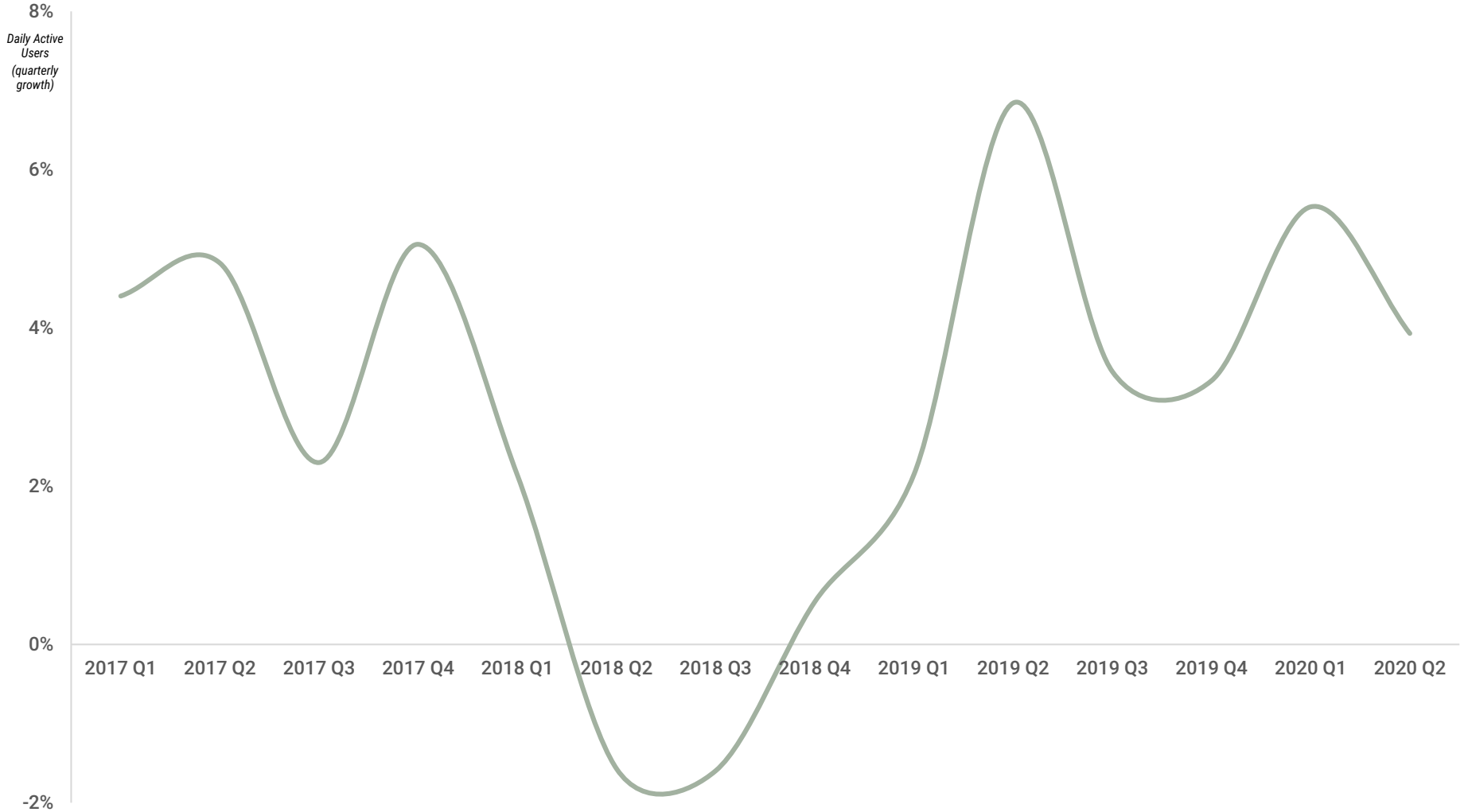
- **Added more than 180 new Discover channels and announced newly expanded partnerships to their curated content business**
 - More than half of the entire U.S. Gen Z population is watching COVID-related news created by their partners
 - Average daily discover content viewership by people over 35 has increased by over 40% year-over-year
- **Commercials are designed to attract incremental online video and TV budgets into their brand-safe content environment**
 - Introduced Snap Select, where ads only appear in hand-created selection of shows and content from media brands like ESPN, NBC and People

It's too early to tell, but they are unlikely to gain a material share from the recent advertising boycotts on Facebook

DAU



After A Sharp Increase In Users From The New Android App, DAU Growth Is Beginning To Plateau

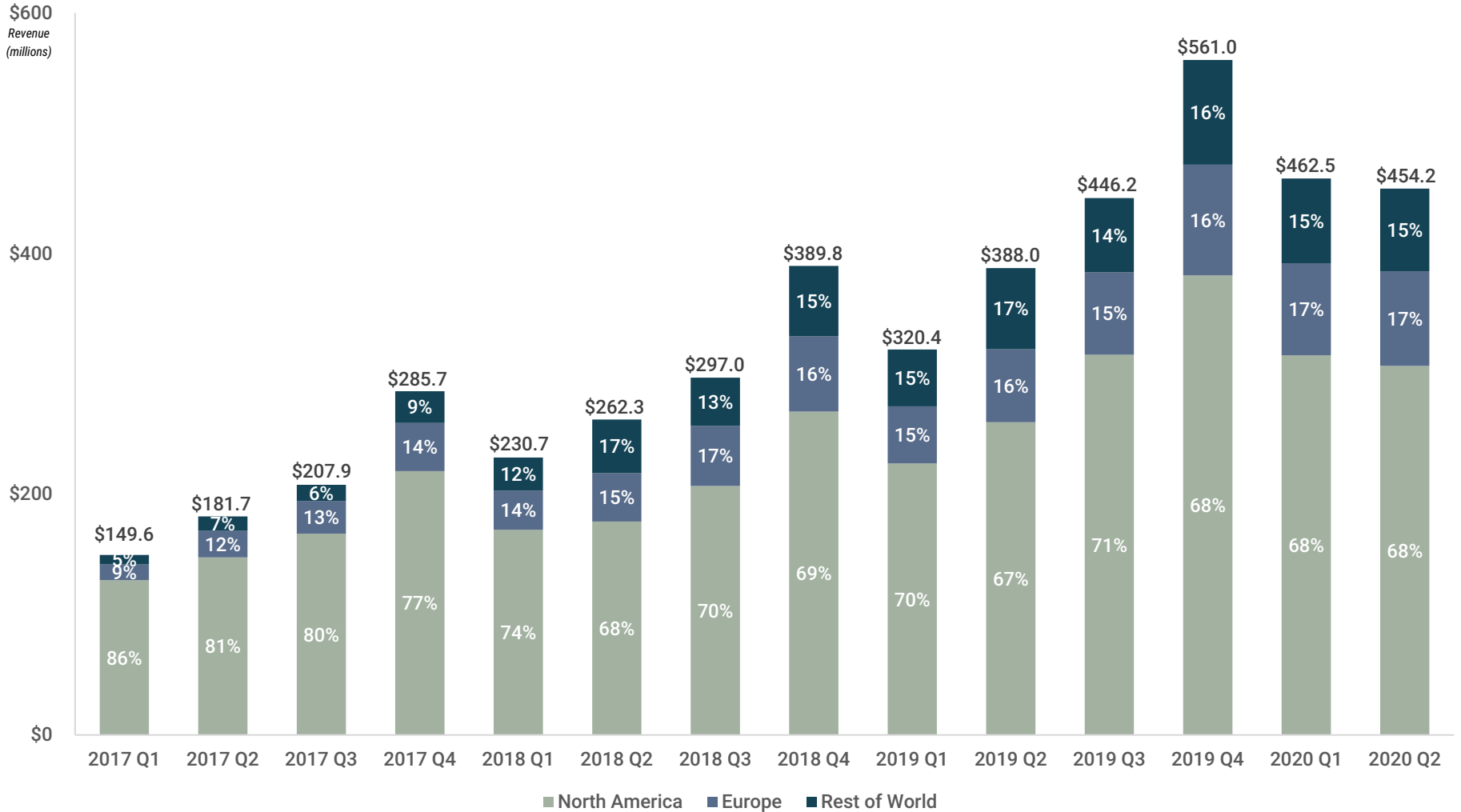


The new action bar can reduce friction for new (and existing) users to experience different features of the platform

Revenue



Emerging Markets Were Most Impacted By The Pandemic Due To Restrictions On Cash Transactions



Q3 is usually bolstered by film, back-to school events, and the NFL, all of which may not happen to the same extent

EBITDA



Due To COVID, They Are Unlikely To Achieve Their Goal Of EBITDA Profitability For The Full Year In 2020



There is still a focus on investing in long-term growth of the platform through features such as maps, games, and minis