

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 1, 2024

SNAP INC.

(Exact name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

3000 31st Street
Santa Monica, California
(Address of Principal Executive Offices)

001-38017
(Commission File Number)

45-5452795
(IRS Employer
Identification No.)

90405
(Zip Code)

Registrant's Telephone Number, Including Area Code: (310) 399-3339

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value \$0.00001 per share	SNAP	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02 Results of Operations and Financial Condition.

On August 1, 2024, Snap Inc. reported financial results for the three and six months ended June 30, 2024. A copy of the press release and the investor letter are furnished as Exhibit 99.1 and Exhibit 99.2, respectively, to this Current Report on Form 8-K and incorporated by reference.

The press release and investor letter are furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or subject to the liabilities of that section or Sections 11 and 12(a)(2) of the Securities Act of 1933, as amended. The information shall not be deemed incorporated by reference into any other filing with the Securities and Exchange Commission made by Snap Inc., whether made before or after today’s date, regardless of any general incorporation language in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
99.1	Press release dated August 1, 2024.
99.2	Investor Letter dated August 1, 2024.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SNAP INC.

Date: August 1, 2024

By: /s/ Derek Andersen
Derek Andersen
Chief Financial Officer

Snap Inc. Announces Second Quarter 2024 Financial Results

Second quarter revenue increased 16% year-over-year to \$1,237 million

Daily Active Users increased 9% year-over-year to 432 million

Net loss improved 34% year-over-year to \$249 million

Adjusted EBITDA improved 243% year-over-year to \$55 million

SANTA MONICA, Calif. – August 1, 2024 – Snap Inc. (NYSE: SNAP) today announced financial results for the quarter ended June 30, 2024.

“Our community grew to reach more than 850 million monthly active users in Q2, with more than 11 million Snapchat+ subscribers,” said Evan Spiegel, CEO. “We continued to scale our advertising platform with active advertisers more than doubling year-over-year. We are looking forward to hosting our upcoming Snap Partner Summit on September 17th, where we will announce new updates to our service.”

Q2 2024 Financial Summary

- Revenue was \$1,237 million, compared to \$1,068 million in the prior year, an increase of 16% year-over-year.
- Net loss was \$249 million, compared to \$377 million in the prior year.
- Adjusted EBITDA was \$55 million, compared to \$(38) million in the prior year.
- Operating cash flow was \$(21) million, compared to \$(82) million in the prior year.
- Free Cash Flow was \$(73) million, compared to \$(119) million in the prior year.
- On a trailing twelve month basis, operating cash flow was \$244 million and Free Cash Flow was \$15 million.

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2024	2023		2024	2023	
(Unaudited)	(in thousands, except per share amounts)					
Revenue	\$ 1,236,768	\$ 1,067,669	16 %	\$ 2,431,541	\$ 2,056,277	18 %
Operating loss	\$ (253,975)	\$ (404,339)	37 %	\$ (587,207)	\$ (769,603)	24 %
Net loss	\$ (248,620)	\$ (377,308)	34 %	\$ (553,710)	\$ (705,982)	22 %
Adjusted EBITDA ⁽¹⁾	\$ 54,977	\$ (38,479)	243 %	\$ 100,636	\$ (37,666)	367 %
Net cash provided by (used in) operating activities	\$ (21,377)	\$ (81,936)	74 %	\$ 66,975	\$ 69,166	(3)%
Free Cash Flow ⁽²⁾	\$ (73,439)	\$ (118,879)	38 %	\$ (35,535)	\$ (15,407)	(131)%
Diluted net loss per share attributable to common stockholders	\$ (0.15)	\$ (0.24)	38 %	\$ (0.34)	\$ (0.44)	23 %
Non-GAAP diluted net income (loss) per share ⁽³⁾	\$ 0.02	\$ (0.02)	200 %	\$ 0.05	\$ (0.01)	600 %

(1) See page 9 for a reconciliation of net loss to Adjusted EBITDA. Total restructuring charges included in our consolidated statements of operations for the three and six months ended June 30, 2024, and excluded from Adjusted EBITDA, were \$1.9 million and \$72.0 million, respectively.

(2) See page 9 for a reconciliation of net cash provided by (used in) operating activities to Free Cash Flow.

(3) See page 10 for a reconciliation of diluted net loss per share to non-GAAP diluted net income (loss) per share.

Q2 2024 Summary & Key Highlights

We grew and deepened our engagement with our community:

- DAUs were 432 million in Q2 2024, an increase of 36 million, or 9% year-over-year.
- Q2 marked an important milestone for Snap, as we reached more than 850 million monthly active users (MAU).
- We recently announced new communication features for Snapchatters to stay connected with friends and family and the world, including editable chats, Map emoji reactions, and My AI reminders.
- We renewed our longstanding sports partnerships with the NFL, NBA, and WNBA, to provide official content across Stories and Spotlight for our community.
- We announced Snap Nation, an exciting evolution of our partnership with Live Nation that gives Snapchatters access to tour and festival experiences that only Live Nation can offer.
- We partnered with Ensemble, a branded entertainment company founded by Issa Rae to help brands produce content with our 523 creator accelerator program that is focused on growing and building diverse voices.
- We selected members of our first-ever Council for Digital Well-Being, in which we'll hear from teens on their perspectives on the states of their digital lives today and hopes for the future.
- We announced several new features to further safeguard our community from online harms, including expanded in-app warnings, enhanced friending protections, simplified location-sharing, and blocking improvements.

We are focused on accelerating and diversifying our revenue growth:

- Ongoing momentum with our direct response products and growth in small- and medium-size businesses (SMB) contributed to total active advertisers more than doubling year-over-year in Q2.
- Our improvements to Conversions API (CAPI), improved collaboration with advertisers, and growth in partner integrations resulted in CAPI integrations growing over 300% year-over-year.
- Snapchat+ reached 11 million subscribers in Q2.
- We announced AR Extensions, which enable advertisers to integrate AR Lenses and Filters directly into all Snapchat ad formats.
- We announced that brands can now leverage Generative AI technology such as our ML Face Effects to create custom sponsored AR Lenses.
- To help entertainment advertisers understand Snapchat's impact on theatrical releases, we partnered with Samba TV, which found that exposure to campaigns on Snapchat delivered a 91% lift in ticket sales.
- We launched the Snap Advanced Partner Program, offering qualifying agencies and partners the opportunity to work closely with Snapchat to create innovative solutions that build stronger full funnel campaigns and drive results.

We invested in our augmented reality platform:

- We continue to invest in Generative AI models and automation for the creation of ML and AI Lenses, such as our Gen AI lens Scribble World which was viewed over 1 billion times and our 90's AI lens, which was viewed by more than 20% of US Snapchatters.
- We launched Lens Studio 5.0, which features our new Gen AI Suite that makes Lens Studio easier to use by enabling creators to generate a variety of Lens-ready assets with a prompt and no coding required.
- In partnership with Live Nation and Ocesa, our AR technology enhanced for the first time Tecate Emblema, a major music festival in Mexico City, powered by CameraKit Live.
- Our partnership with OMD and Amplified Intelligence found that Snapchat campaigns that include AR in their mix drive 5x more active attention compared to industry peers.
- We partnered with Cartier on a first-of-its-kind AR experience celebrating the 100th anniversary of The Trinity Collection, allowing Snapchatters to try-on and shop the Classic Trinity Ring.

Q3 2024 Outlook

As we enter Q3, we anticipate continued growth of our global community, and as a result, our Q3 guidance is built on the assumption that DAU will be approximately 441 million in Q3. We are focused on executing against our roadmap to deliver improvements to our advertising platform to drive strong performance for our advertising partners and accelerate topline growth. Our Q3 guidance range for revenue is \$1,335 million to \$1,375 million, implying year-over-year revenue growth of 12% to 16%. Given the revenue range above, and our investment plans for the quarter ahead, we estimate that Adjusted EBITDA will be between \$70 million and \$100 million in Q3.

Conference Call Information

Snap Inc. will host a conference call to discuss the results at 2:30 p.m. Pacific / 5:30 p.m. Eastern today. The live audio webcast along with supplemental information will be accessible at investor.snap.com. A recording of the webcast will also be available following the conference call.

Snap Inc. uses its websites (including snap.com and investor.snap.com) as means of disclosing material non-public information and for complying with its disclosure obligation under Regulation FD.

Definitions

Free Cash Flow is defined as net cash provided by (used in) operating activities, reduced by purchases of property and equipment.

Common shares outstanding plus shares underlying stock-based awards includes common shares outstanding, restricted stock units, restricted stock awards, and outstanding stock options.

Adjusted EBITDA is defined as net income (loss), excluding interest income; interest expense; other income (expense), net; income tax benefit (expense); depreciation and amortization; stock-based compensation expense; payroll and other tax expense related to stock-based compensation; and certain other items impacting net income (loss) from time to time.

A Daily Active User (DAU) is defined as a registered and logged-in Snapchat user who visits Snapchat through our applications or websites at least once during a defined 24-hour period. We calculate average DAUs for a particular quarter by adding the number of DAUs on each day of that quarter and dividing that sum by the number of days in that quarter.

Average revenue per user (ARPU) is defined as quarterly revenue divided by the average DAUs.

A Monthly Active User (MAU) is defined as a registered and logged-in Snapchat user who visits Snapchat through our applications or websites at least once during the 30-day period ending on the calendar month-end. We calculate average Monthly Active Users for a particular quarter by calculating the average of the MAUs as of each calendar month-end in that quarter.

Note: For adjustments and additional information regarding the non-GAAP financial measures and other items discussed, please see “Non-GAAP Financial Measures,” “Reconciliation of GAAP to Non-GAAP Financial Measures,” and “Supplemental Financial Information and Business Metrics.”

About Snap Inc.

Snap Inc. is a technology company. We believe the camera presents the greatest opportunity to improve the way people live and communicate. We contribute to human progress by empowering people to express themselves, live in the moment, learn about the world, and have fun together. For more information, visit snap.com.

Contact

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Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this press release, including statements regarding guidance, our future results of operations or financial condition, future stock repurchase programs or stock dividends, business strategy and plans, user growth and engagement, product initiatives, objectives of management for future operations, and advertiser and partner offerings, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “going to,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will,” or “would” or the negative of these words or other similar terms or expressions. We caution you that the foregoing may not include all of the forward-looking statements made in this press release.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this press release primarily on our current expectations and projections about future events and trends, including our financial outlook, macroeconomic uncertainty, and geo-political conflicts, that we believe may continue to affect our business, financial condition, results of operations, and prospects. These forward-looking statements are subject to risks and uncertainties related to: our financial performance; our ability to attain and sustain profitability; our ability to generate and sustain positive cash flow; our ability to attract and retain users, partners, and advertisers; competition and new market entrants; managing our growth and future expenses; compliance with new laws, regulations, and executive actions; our ability to maintain, protect, and enhance our intellectual property; our ability to succeed in existing and new market segments; our ability to attract and retain qualified team members and key personnel; our ability to repay or refinance outstanding debt, or to access additional financing; future acquisitions, divestitures, or investments; and the potential adverse impact of climate change, natural disasters, health epidemics, macroeconomic conditions, and war or other armed conflict, as well as risks, uncertainties, and other factors described in “Risk Factors” and elsewhere in our most recent periodic report filed with the U.S. Securities and Exchange Commission, or SEC, which is available on the SEC’s website at www.sec.gov. Additional information will be made available in our periodic report that will be filed with the SEC for the period covered by this press release and other filings that we make from time to time with the SEC. In addition, any forward-looking statements contained in this press release are based on assumptions that we believe to be reasonable as of this date. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of this press release or to reflect new information or the occurrence of unanticipated events, including future developments related to geo-political conflicts and macroeconomic conditions, except as required by law.

Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we use certain non-GAAP financial measures, as described below, to understand and evaluate our core operating performance. These non-GAAP financial measures, which may be different than similarly titled measures used by other companies, are presented to enhance investors’ overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

We use the non-GAAP financial measure of Free Cash Flow, which is defined as net cash provided by (used in) operating activities, reduced by purchases of property and equipment. We believe Free Cash Flow is an important liquidity measure of the cash that is available, after capital expenditures, for operational expenses and investment in our business and is a key financial indicator used by management. Additionally, we believe that Free Cash Flow is an important measure since we use third-party infrastructure partners to host our services and therefore we do not incur significant capital expenditures to support revenue generating activities. Free Cash Flow is useful to investors as a liquidity measure because it measures our ability to generate or use cash. Once our business needs and obligations are met, cash can be used to maintain a strong balance sheet and invest in future growth.

We use the non-GAAP financial measure of Adjusted EBITDA, which is defined as net income (loss), excluding interest income; interest expense; other income (expense), net; income tax benefit (expense); depreciation and amortization; stock-based compensation expense; payroll and other tax expense related to stock-based compensation; and certain other items impacting net income (loss) from time to time. We believe that Adjusted EBITDA helps identify underlying trends in our business that could otherwise be masked by the effect of the expenses that we exclude in Adjusted EBITDA.

We use the non-GAAP financial measure of non-GAAP net income (loss), which is defined as net income (loss), excluding amortization of intangible assets; stock-based compensation expense; payroll and other tax expense related to stock-based compensation; certain other items impacting net income (loss) from time to time; and related income tax adjustments. Non-GAAP net income (loss) and weighted average diluted shares are then used to calculate non-GAAP diluted net income (loss) per share. Similar to Adjusted EBITDA, we believe these measures help identify underlying trends in our business that could otherwise be masked by the effect of the expenses we exclude in the measure.

We believe that these non-GAAP financial measures provide useful information about our financial performance, enhance the overall understanding of our past performance and future prospects, and allow for greater transparency with respect to key metrics used by our management for financial and operational decision-making. We are presenting these non-GAAP measures to assist investors in seeing our financial performance through the eyes of management, and because we believe that these measures provide an additional tool for investors to use in comparing our core financial performance over multiple periods with other companies in our industry.

For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measure, please see “Reconciliation of GAAP to Non-GAAP Financial Measures.”

Snap Inc., “Snapchat,” and our other registered and common law trade names, trademarks, and service marks are the property of Snap Inc. or our subsidiaries.

SNAP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Cash flows from operating activities				
Net loss	\$ (248,620)	\$ (377,308)	\$ (553,710)	\$ (705,982)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	37,930	39,688	79,643	74,908
Stock-based compensation	259,311	317,943	523,063	632,874
Amortization of debt issuance costs	2,208	1,839	3,950	3,675
Losses (gains) on debt and equity securities, net	2,662	(4,434)	11,630	(15,267)
Other	10,583	(16,307)	(6,029)	(26,703)
Change in operating assets and liabilities, net of effect of acquisitions:				
Accounts receivable, net of allowance	(36,916)	(103,629)	125,291	184,744
Prepaid expenses and other current assets	(34,526)	(1,098)	(48,155)	(14,302)
Operating lease right-of-use assets	14,929	17,817	28,504	35,475
Other assets	(955)	(1,275)	(6,097)	(425)
Accounts payable	(61,556)	8,426	(95,645)	(28,546)
Accrued expenses and other current liabilities	45,821	52,981	27,440	(37,210)
Operating lease liabilities	(13,940)	(17,792)	(27,870)	(36,342)
Other liabilities	1,692	1,213	4,960	2,267
Net cash provided by (used in) operating activities	(21,377)	(81,936)	66,975	69,166
Cash flows from investing activities				
Purchases of property and equipment	(52,062)	(36,943)	(102,510)	(84,573)
Purchases of strategic investments	(2,000)	(3,290)	(2,000)	(7,770)
Sales of strategic investments	1,006	—	1,015	—
Cash paid for acquisitions, net of cash acquired	—	(50,254)	—	(50,254)
Purchases of marketable securities	(774,852)	(631,218)	(1,240,524)	(1,505,271)
Sales of marketable securities	166,557	85,922	166,557	91,273
Maturities of marketable securities	447,153	611,835	832,081	1,536,158
Other	(100)	(2,451)	(100)	(124)
Net cash provided by (used in) investing activities	(214,298)	(26,399)	(345,481)	(20,561)
Cash flows from financing activities				
Proceeds from issuance of convertible notes, net of issuance costs	740,350	—	740,350	—
Purchase of capped calls	(68,850)	—	(68,850)	—
Proceeds from termination of capped calls	62,683	—	62,683	—
Proceeds from the exercise of stock options	2,425	382	2,494	411
Repurchases of Class A non-voting common stock	(75,955)	—	(311,069)	—
Deferred payments for acquisitions	(3,695)	(242,088)	(3,695)	(244,116)
Repurchases of convertible notes	(418,336)	—	(859,042)	—
Other	(1,799)	—	(1,799)	—
Net cash provided by (used in) financing activities	236,823	(241,706)	(438,928)	(243,705)
Change in cash, cash equivalents, and restricted cash	1,148	(350,041)	(717,434)	(195,100)
Cash, cash equivalents, and restricted cash, beginning of period	1,063,880	1,578,717	1,782,462	1,423,776
Cash, cash equivalents, and restricted cash, end of period	\$ 1,065,028	\$ 1,228,676	\$ 1,065,028	\$ 1,228,676

SNAP INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue	\$ 1,236,768	\$ 1,067,669	\$ 2,431,541	\$ 2,056,277
Costs and expenses:				
Cost of revenue	588,921	496,874	1,163,670	936,860
Research and development	406,196	477,663	855,955	932,775
Sales and marketing	266,320	280,597	542,354	549,030
General and administrative	229,306	216,874	456,769	407,215
Total costs and expenses	1,490,743	1,472,008	3,018,748	2,825,880
Operating loss	(253,975)	(404,339)	(587,207)	(769,603)
Interest income	36,462	43,144	76,360	81,092
Interest expense	(5,113)	(5,343)	(9,856)	(11,228)
Other income (expense), net	(20,792)	1,323	(20,873)	12,695
Loss before income taxes	(243,418)	(365,215)	(541,576)	(687,044)
Income tax benefit (expense)	(5,202)	(12,093)	(12,134)	(18,938)
Net loss	\$ (248,620)	\$ (377,308)	\$ (553,710)	\$ (705,982)
Net loss per share attributable to Class A, Class B, and Class C common stockholders:				
Basic	\$ (0.15)	\$ (0.24)	\$ (0.34)	\$ (0.44)
Diluted	\$ (0.15)	\$ (0.24)	\$ (0.34)	\$ (0.44)
Weighted average shares used in computation of net loss per share:				
Basic	1,644,736	1,603,172	1,646,064	1,592,365
Diluted	1,644,736	1,603,172	1,646,064	1,592,365

SNAP INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except par value)

	June 30, 2024 (unaudited)	December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	\$ 1,060,551	\$ 1,780,400
Marketable securities	2,020,723	1,763,680
Accounts receivable, net of allowance	1,141,849	1,278,176
Prepaid expenses and other current assets	198,074	153,587
Total current assets	4,421,197	4,975,843
Property and equipment, net	444,485	410,326
Operating lease right-of-use assets	521,101	516,862
Intangible assets, net	112,808	146,303
Goodwill	1,691,317	1,691,827
Other assets	229,131	226,597
Total assets	<u>\$ 7,420,039</u>	<u>\$ 7,967,758</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 179,586	\$ 278,961
Operating lease liabilities	21,279	49,321
Accrued expenses and other current liabilities	875,119	805,836
Convertible senior notes, net	36,170	—
Total current liabilities	1,112,154	1,134,118
Long-term convertible senior notes, net	3,602,563	3,749,400
Operating lease liabilities, noncurrent	579,896	546,279
Other liabilities	58,704	123,849
Total liabilities	5,353,317	5,553,646
Commitments and contingencies		
Stockholders' equity		
Class A non-voting common stock, \$0.00001 par value. 3,000,000 shares authorized, 1,447,952 shares issued, 1,399,665 shares outstanding at June 30, 2024, and 3,000,000 shares authorized, 1,440,541 shares issued, 1,391,341 shares outstanding at December 31, 2023.	14	14
Class B voting common stock, \$0.00001 par value. 700,000 shares authorized, 22,528 shares issued and outstanding at June 30, 2024 and December 31, 2023.	—	—
Class C voting common stock, \$0.00001 par value. 260,888 shares authorized, 231,627 shares issued and outstanding at June 30, 2024 and December 31, 2023.	2	2
Treasury stock, at cost. 48,287 and 49,200 shares of Class A non-voting common stock at June 30, 2024 and December 31, 2023, respectively.	(470,999)	(479,903)
Additional paid-in capital	15,126,248	14,613,404
Accumulated deficit	(12,591,315)	(11,726,536)
Accumulated other comprehensive income (loss)	2,772	7,131
Total stockholders' equity	2,066,722	2,414,112
Total liabilities and stockholders' equity	<u>\$ 7,420,039</u>	<u>\$ 7,967,758</u>

SNAP INC.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(in thousands, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Free Cash Flow reconciliation:				
Net cash provided by (used in) operating activities	\$ (21,377)	\$ (81,936)	\$ 66,975	\$ 69,166
Less:				
Purchases of property and equipment	(52,062)	(36,943)	(102,510)	(84,573)
Free Cash Flow	<u>\$ (73,439)</u>	<u>\$ (118,879)</u>	<u>\$ (35,535)</u>	<u>\$ (15,407)</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Adjusted EBITDA reconciliation:				
Net loss	\$ (248,620)	\$ (377,308)	\$ (553,710)	\$ (705,982)
Add (deduct):				
Interest income	(36,462)	(43,144)	(76,360)	(81,092)
Interest expense	5,113	5,343	9,856	11,228
Other (income) expense, net	20,792	(1,323)	20,873	(12,695)
Income tax (benefit) expense	5,202	12,093	12,134	18,938
Depreciation and amortization	37,930	39,688	76,028	74,908
Stock-based compensation expense	258,946	317,943	513,661	632,874
Payroll and other tax expense related to stock-based compensation	10,133	8,229	26,103	24,155
Restructuring charges ⁽¹⁾	1,943	—	72,051	—
Adjusted EBITDA	<u>\$ 54,977</u>	<u>\$ (38,479)</u>	<u>\$ 100,636</u>	<u>\$ (37,666)</u>

(1) Restructuring charges are primarily related to cash severance, stock-based compensation expense, and other charges associated with the 2024 restructuring. These charges are not reflective of underlying trends in our business.

Total depreciation and amortization expense by function:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Depreciation and amortization expense ⁽¹⁾:				
Cost of revenue	\$ 1,872	\$ 3,170	\$ 4,022	\$ 6,396
Research and development	22,909	24,847	50,507	48,986
Sales and marketing	5,084	5,605	9,661	10,678
General and administrative	8,065	6,066	15,453	8,848
Total	<u>\$ 37,930</u>	<u>\$ 39,688</u>	<u>\$ 79,643</u>	<u>\$ 74,908</u>

(1) Depreciation and amortization expense for the six months ended June 30, 2024 includes restructuring charges.

SNAP INC.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES (continued)
(in thousands, except per share amounts, unaudited)

Total stock-based compensation expense by function:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Stock-based compensation expense ⁽¹⁾:				
Cost of revenue	\$ 1,260	\$ 2,365	\$ 3,075	\$ 4,250
Research and development	171,465	217,565	345,984	437,415
Sales and marketing	52,208	57,597	106,864	112,536
General and administrative	34,378	40,416	67,140	78,673
Total	<u>\$ 259,311</u>	<u>\$ 317,943</u>	<u>\$ 523,063</u>	<u>\$ 632,874</u>

(1) Stock-based compensation expense for the three and six months ended June 30, 2024 includes restructuring charges.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Non-GAAP net income (loss) reconciliation:				
Net loss	\$ (248,620)	\$ (377,308)	\$ (553,710)	\$ (705,982)
Amortization of intangible assets	14,950	18,405	30,393	36,160
Stock-based compensation expense	258,946	317,943	513,661	632,874
Payroll and other tax expense related to stock-based compensation	10,133	8,229	26,103	24,155
Restructuring charges ⁽¹⁾	1,943	—	72,051	—
Income tax adjustments	(4,020)	(269)	(6,019)	(237)
Non-GAAP net income (loss)	<u>\$ 33,332</u>	<u>\$ (33,000)</u>	<u>\$ 82,479</u>	<u>\$ (13,030)</u>
Weighted-average common shares - Diluted	1,644,736	1,603,172	1,646,064	1,592,365
Non-GAAP diluted net income (loss) per share reconciliation:				
Diluted net loss per share	\$ (0.15)	\$ (0.24)	\$ (0.34)	\$ (0.44)
Non-GAAP adjustment to net loss	0.17	0.22	0.39	0.43
Non-GAAP diluted net income (loss) per share	<u>\$ 0.02</u>	<u>\$ (0.02)</u>	<u>\$ 0.05</u>	<u>\$ (0.01)</u>

(1) Restructuring charges are primarily related to cash severance, stock-based compensation expense, and other charges associated with the 2024 restructuring. These charges are not reflective of underlying trends in our business.

SNAP INC.
SUPPLEMENTAL FINANCIAL INFORMATION AND BUSINESS METRICS
(dollars and shares in thousands, except per user amounts, unaudited)

	Q1 2023		Q2 2023		Q3 2023		Q4 2023		Q1 2024		Q2 2024	
	(NM = Not Meaningful)											
Cash Flows and Shares												
Net cash provided by (used in) operating activities	\$	151,102	\$	(81,936)	\$	12,781	\$	164,574	\$	88,352	\$	(21,377)
Net cash provided by (used in) operating activities - YoY (year-over-year)		19 %		34 %		(77)%		31 %		(42)%		74 %
Net cash provided by (used in) operating activities - TTM (trailing twelve months)	\$	208,257	\$	250,402	\$	207,238	\$	246,521	\$	183,771	\$	244,330
Purchases of property and equipment	\$	(47,630)	\$	(36,943)	\$	(73,435)	\$	(53,719)	\$	(50,448)	\$	(52,062)
Purchases of property and equipment - YoY		125 %		58 %		94 %		14 %		6 %		41 %
Purchases of property and equipment - TTM	\$	(155,761)	\$	(169,334)	\$	(204,933)	\$	(211,727)	\$	(214,545)	\$	(229,664)
Free Cash Flow	\$	103,472	\$	(118,879)	\$	(60,654)	\$	110,855	\$	37,904	\$	(73,439)
Free Cash Flow - YoY		(3)%		19 %		(435)%		41 %		(63)%		38 %
Free Cash Flow - TTM	\$	52,496	\$	81,068	\$	2,305	\$	34,794	\$	(30,774)	\$	14,666
Common shares outstanding		1,595,205		1,616,119		1,638,905		1,645,496		1,643,120		1,653,820
Common shares outstanding - YoY		(2)%		(2)%		2 %		5 %		3 %		2 %
Shares underlying stock-based awards		128,218		149,065		154,525		157,981		146,240		144,315
Shares underlying stock-based awards - YoY		71 %		62 %		63 %		20 %		14 %		(3)%
Total common shares outstanding plus shares underlying stock-based awards		1,723,423		1,765,184		1,793,430		1,803,477		1,789,360		1,798,135
Total common shares outstanding plus shares underlying stock-based awards - YoY		1 %		2 %		5 %		6 %		4 %		2 %
Results of Operations												
Revenue	\$	988,608	\$	1,067,669	\$	1,188,551	\$	1,361,287	\$	1,194,773	\$	1,236,768
Revenue - YoY		(7)%		(4)%		5 %		5 %		21 %		16 %
Revenue - TTM	\$	4,527,728	\$	4,484,488	\$	4,544,563	\$	4,606,115	\$	4,812,280	\$	4,981,379
Revenue by region ⁽¹⁾												
North America	\$	639,896	\$	686,829	\$	786,154	\$	899,542	\$	743,131	\$	767,560
North America - YoY		(16)%		(13)%		(3)%		2 %		16 %		12 %
North America - TTM	\$	3,117,489	\$	3,018,637	\$	2,993,189	\$	3,012,421	\$	3,115,656	\$	3,196,387
Europe	\$	157,760	\$	182,109	\$	200,272	\$	238,253	\$	195,844	\$	229,835
Europe - YoY		(3)%		7 %		24 %		9 %		24 %		26 %
Europe - TTM	\$	707,805	\$	719,817	\$	758,693	\$	778,394	\$	816,478	\$	864,204
Rest of World	\$	190,952	\$	198,731	\$	202,125	\$	223,492	\$	255,798	\$	239,373
Rest of World - YoY		34 %		28 %		30 %		11 %		34 %		20 %
Rest of World - TTM	\$	702,434	\$	746,034	\$	792,681	\$	815,300	\$	880,146	\$	920,788
Operating loss	\$	(365,264)	\$	(404,339)	\$	(380,063)	\$	(248,713)	\$	(333,232)	\$	(253,975)
Operating loss - YoY		(35)%		(1)%		13 %		14 %		9 %		37 %
Operating loss - Margin		(37)%		(38)%		(32)%		(18)%		(28)%		(21)%
Operating loss - TTM	\$	(1,489,043)	\$	(1,492,442)	\$	(1,437,263)	\$	(1,398,379)	\$	(1,366,347)	\$	(1,215,983)
Net income (loss)	\$	(328,674)	\$	(377,308)	\$	(368,256)	\$	(248,247)	\$	(305,090)	\$	(248,620)
Net income (loss) - YoY		9 %		11 %		(2)%		14 %		7 %		34 %
Net income (loss) - TTM	\$	(1,398,703)	\$	(1,353,944)	\$	(1,362,698)	\$	(1,322,485)	\$	(1,298,901)	\$	(1,170,213)
Adjusted EBITDA	\$	813	\$	(38,479)	\$	40,094	\$	159,149	\$	45,659	\$	54,977
Adjusted EBITDA - YoY		(99)%		(635)%		(45)%		(32)%		NM		243 %
Adjusted EBITDA - Margin ⁽²⁾		0.1 %		(4)%		3 %		12 %		4 %		4 %
Adjusted EBITDA - TTM	\$	313,918	\$	268,249	\$	235,703	\$	161,577	\$	206,423	\$	299,879

(1) Total revenue for geographic reporting is apportioned to each region based on our determination of the geographic location in which advertising impressions are delivered, as this approximates revenue based on user activity. This allocation is consistent with how we determine ARPU.

(2) We define Adjusted EBITDA margin as Adjusted EBITDA divided by GAAP revenue.

SNAP INC.
SUPPLEMENTAL FINANCIAL INFORMATION AND BUSINESS METRICS (continued)
(dollars and shares in thousands, except per user amounts, unaudited)

	Q1 2023		Q2 2023		Q3 2023		Q4 2023		Q1 2024		Q2 2024	
Other												
DAU (in millions) ⁽¹⁾	383		397		406		414		422		432	
DAU - YoY	15 %		14 %		12 %		10 %		10 %		9 %	
DAU by region (in millions)												
North America	100		101		101		100		100		100	
North America - YoY	3 %		2 %		1 %		— %		(1)%		— %	
Europe	93		94		95		96		97			
Europe - YoY	10 %		9 %		7 %		4 %		4 %		3 %	
Rest of World	190		202		211		218		226		235	
Rest of World - YoY	27 %		25 %		21 %		19 %		19 %		16 %	
ARPU	\$	2.58	\$	2.69	\$	2.93	\$	3.29	\$	2.83	\$	2.86
ARPU - YoY	(19)%		(16)%		(6)%		(5)%		10 %		6 %	
ARPU by region												
North America	\$	6.37	\$	6.83	\$	7.82	\$	8.96	\$	7.44	\$	7.67
North America - YoY	(18)%		(14)%		(4)%		2 %		17 %		12 %	
Europe	\$	1.70	\$	1.93	\$	2.11	\$	2.49	\$	2.04	\$	2.36
Europe - YoY	(12)%		(2)%		15 %		5 %		20 %		22 %	
Rest of World	\$	1.00	\$	0.98	\$	0.96	\$	1.03	\$	1.13	\$	1.02
Rest of World - YoY	6 %		3 %		8 %		(7)%		13 %		4 %	
Employees (full-time; excludes part-time, contractors, and temporary personnel)	5,201		5,286		5,367		5,289		4,835		4,719	
Employees - YoY	(15)%		(18)%		(6)%		— %		(7)%		(11)%	
Depreciation and amortization expense												
Cost of revenue	\$	3,226	\$	3,170	\$	3,184	\$	3,171	\$	2,150	\$	1,872
Research and development	24,139		24,847		26,252		31,040		27,598		22,909	
Sales and marketing	5,073		5,605		5,466		10,017		4,577		5,084	
General and administrative	2,782		6,066		6,307		8,096		7,388		8,065	
Total	\$	35,220	\$	39,688	\$	41,209	\$	52,324	\$	41,713	\$	37,930
Depreciation and amortization expense - YoY	(8)%		(50)%		14 %		8 %		18 %		(4)%	
Stock-based compensation expense												
Cost of revenue	\$	1,885	\$	2,365	\$	2,640	\$	2,665	\$	1,815	\$	1,260
Research and development	219,850		217,565		234,615		220,996		174,519		171,465	
Sales and marketing	54,939		57,597		72,783		70,369		54,656		52,208	
General and administrative	38,257		40,416		47,895		39,167		32,762		34,378	
Total	\$	314,931	\$	317,943	\$	357,933	\$	333,197	\$	263,752	\$	259,311
Stock-based compensation expense - YoY	14 %		— %		4 %		(26)%		(16)%		(18)%	

(1) Numbers may not foot due to rounding.

Snap Inc.

Investor Letter Q2 2024

August 1, 2024

Introduction

Q2 marked an important milestone for Snap, as we reached more than 850 million monthly active users (MAU) and 432 million daily active users (DAU) on the path to our goal of 1 billion MAU. Our focus on visual communication between friends and family is a strategic advantage that has enabled us to serve more than 75% of 13- to 34-year-olds in over 25 countries. As Snapchat has grown, our community has grown with us, and approximately 80% of Snapchatters are above the age of 18. We also continued to broaden and deepen engagement with our content platform in Q2, with global content viewers growing 12% year-over-year, and global time spent watching content growing 25% year-over-year.

The growth of our community, the progress we have made with our direct-response (DR) advertising business, and the success of our Snapchat+ subscription business that now reaches more than 11 million subscribers, all contributed to total revenue growing 16% year-over-year to \$1.24 billion, despite the impact of a weaker brand advertising environment for certain consumer discretionary verticals. We are pleased with the ongoing progress made in our DR business as well as the continued rapid growth in the total number of active advertisers which more than doubled year-over-year in Q2. We believe this progress validates our strategy of focusing on growing our community and engagement, investing in our DR advertising products, and diversifying our revenue growth with our subscription offering.

The actions we have taken to optimize our cost structure have cleared a path to meaningful Adjusted EBITDA profitability and positive Free Cash Flow. In Q2, the combination of topline progress and expense discipline translated to \$55 million of Adjusted EBITDA and sets us up well for continued improvement in operating leverage as the year progresses. Adjusted EBITDA flow through, or the share of incremental year-over-year revenue that flowed through to Adjusted EBITDA, was 55% in Q2, up from 22% in Q1. Moving forward, we will continue to calibrate our investments carefully to ensure we build on this momentum, while also realizing the operating leverage necessary to drive improved financial performance. We believe that the strong financial foundation we are building and our track record of innovation position us well to fulfill our long-term vision for augmented reality.



We reached more than
850 million MAU
and
432 million DAU

Community

Visual communication is at the core of the Snapchat experience. Our strategy to drive DAU growth and engagement is focused on improving the way Snapchatters communicate and interact with their friends, family, and the world. We have delivered a number of new communication features and user experience enhancements in recent months to execute on this strategic initiative. For example, in Q2, we introduced Map Reactions that enable Snapchatters to send their favorite emojis to friends on the Snap Map to start conversations. We also launched Editable Chats, which allow Snapchatters to edit messages up to five minutes after sending them, and My AI Reminders that give Snapchatters the ability to ask for a reminder for an upcoming deadline. In addition, we are investing to enhance iOS app performance by making improvements to battery management, app and screen loading latency, and camera quality. We are also leveraging



machine learning (ML) and generative AI to help our community form meaningful connections and to deliver engaging product experiences. These improvements have contributed to all-time highs in the number of daily active users sending Snaps in every region, which is an important input to sustained daily engagement.

The results of these initiatives are reflected in our global community reaching 432 million DAU in Q2, an increase of 10 million quarter-over-quarter. DAU in North America was 100 million, down by less than 1% year-over-year, but up quarter-over-quarter as our initiatives to improve the way Snapchatters communicate begin to show early signs of progress. DAU in Europe was 97 million, compared to 96 million in the prior quarter and 94 million in the prior year. DAU in Rest of World was 235 million, compared to 226 million in the prior quarter and 202 million in the prior year.

To further deepen content engagement, we continue to invest in our ML models to improve content ranking and personalization across all of our content surfaces. As a result, we are seeing significant improvement in content engagement, with global time spent watching content growing 25% year-over-year and 10% quarter-over-quarter in Q2, driven by strong growth in total time spent watching Spotlight and Creator Stories. In North America, some of our changes have been disruptive, and this contributed to mixed results on time spent with content, which declined by just under 2% on a year-over-year basis while increasing nearly 6% on a quarter-over-quarter basis in Q2. North America content engagement trends improved as we moved through the quarter, and time spent with content increased year-over-year in the month of June.

In Q2, we continued to make progress unifying the ranking models between Spotlight and Stories to a single backend stack that ranks all content types to deliver the most engaging content to our community, regardless of format. To expand our content supply, we are focused on growing our creator community and making it easier for creators to submit and subsequently share compelling content. These efforts contributed in part to the number of creators submitting Spotlight content growing more than 20% year-over-year in Q2. We are also working with publisher partners to bring new and engaging content to our community. For example, in Q2, we announced Snap Nation, an evolution in our existing partnership with Live Nation that gives Snapchatters access to tour and festival experiences, including exclusive behind-the-scenes content and live music experiences.

Augmented reality continues to inspire communication, and Snapchatters play with AR Lenses billions of times per day on average. In Q2, the number of Snapchatters sharing AR Lens experiences with their friends increased 12% year-over-year, driven by the popularity of innovative generative AI Lenses and improved ranking and optimization of our AR experiences. For example, our ML Scribble World Lens, which enables Snapchatters to transform into artistic, cartoon-style versions of themselves, was viewed over 1 billion times in Q2, and our 90s AI Lens was viewed by more than 20% of US Snapchatters. In addition, we launched a generative AI Lens in collaboration with Beyoncé, dedicated to her new COWBOY CARTER album, which was engaged with 80 million times in the first three days. We continue to improve our AR ranking technology in order to personalize the AR experience and deliver relevant AR content to our community. We recently enabled dynamic,



We launched a generative AI Lens in collaboration with Beyoncé, dedicated to her new COWBOY CARTER album, which was engaged with **80 million times** in the first three days



ML-driven Lens ranking based on Snapchatter preferences, and we improved the quality of Lens ranking model predictions for AR Snaps. These initiatives contributed to a 10% year-over-year increase in Snap Story posts with an AR Lens globally.

Our progress in AR is powered by our Lens Studio developer platform and the hundreds of thousands of creators who have leveraged this platform. In Q2, we released Lens Studio 5.0, which features our new GenAI Suite, powered by proprietary SnapML technology, that enables Lens creators to generate Lenses in minutes using a text prompt that requires no coding by the creator. The response to our new tools in Lens Studio has been inspiring and reinforces our belief that long-term success in AR requires a vibrant developer and creator ecosystem.

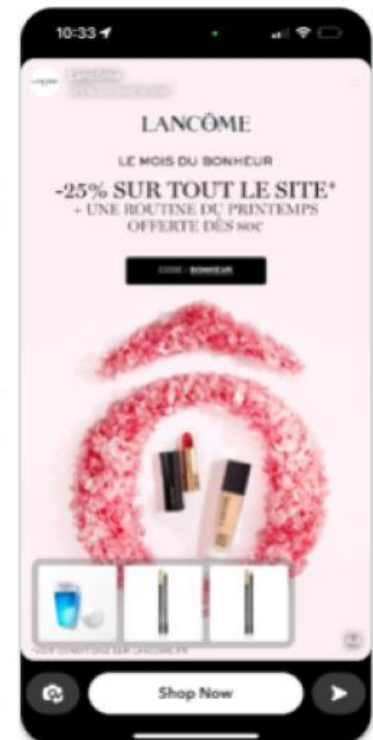
As we move forward, we are focused on innovating and enhancing our core product experiences in order to grow our global community and deepen engagement. We believe continued progress on these initiatives is a critical input to both serving our community and expanding our monetization opportunity over time. We look forward to sharing more of our progress at our Snap Partner Summit on September 17.

Advertising Platform

We continued to make progress on three foundational advertising platform initiatives, including larger ML models, improved signals, and more performant ad formats. Our 7-0 optimization for purchases continues to drive encouraging results for advertising partners. For example, Ridge, an everyday essentials e-commerce company, continued to lean into Snap's DR best practices to drive success. Leveraging 7-0 Optimization, Conversions API, and our ML-based Auto-Bidding, Ridge drove a 73% higher ROAS compared to their prior campaign strategy.

For app-based advertisers, we have invested in improvements across the entire ad stack. We made ad format enhancements and streamlined the app download experience on iOS, so that Snapchatters can install apps without leaving Snapchat. Early testing shows that the enhanced app download experience is driving lower cost per install and improved ROAS for advertisers. We also expanded 7-0 Optimization to app install and app purchase and, after testing showed consistent improvement in cost-per-install and cost-per-purchase, we recently began scaling these products with our advertising partners. We are encouraged to see that a number of gaming app clients, including Roblox, are seeing a 30–50% improvement in ROAS on Snapchat.

We have also begun testing Value Optimization, which allows advertisers to bid on the value of purchases, and we are seeing encouraging early results. We anticipate that mobile gaming and e-commerce advertisers in particular will benefit from these new optimizations. For example, Lancôme, a beauty brand from L'Oréal, leveraged our new Value Optimization with the aim of increasing average purchase cart size and ROAS. The campaign exceeded expectations and delivered a 38% increase in average purchase cart size and a 4.4x increase in ROAS.



Lancôme's campaign delivered

4.4x increase

in ROAS year-over-year



Our DR ad platform relies on scaled privacy-centric signals that advertisers can use to optimize their ad campaigns. Conversions API (CAPI), our privacy-centric first-party signal solution, is driving improved results for advertisers. For example, European e-commerce company My Jewellery saw their campaign deliver 156% higher last click ROAS and 13% lower cost-per-visit after implementing CAPI. In addition, we announced several partnerships, including Snowflake, Datahash, LiveRamp, and Tealium, to make it easier for advertisers to adopt CAPI in a seamless and privacy-centric way. Our improvements to CAPI, improved collaboration with advertisers, and growth in partner integrations resulted in CAPI integrations growing over 300% year-over-year in Q2.

We are excited by the progress we're seeing with our small- and medium-size business (SMB) advertising partners. Today, SMBs and creators alike can promote their services, content, or products, reach new audiences, and gain more followers, all in just a few taps within Snapchat. In addition, we launched useful tools such as dynamic campaign setup recommendations and codeless Pixel setups to help businesses achieve higher ROAS. These changes have been instrumental in the growth of SMB advertisers on Snapchat, which contributed in part to total active advertisers more than doubling year-over-year in Q2.

This quarter, we continued to build compelling advertising products to help our brand advertising partners reach the Snapchat community at scale. For example, at our NewFronts presentation, we announced a number of sponsorship opportunities, including our partnership with NBCUniversal for the Paris 2024 Olympic Games, where some of our most popular creators will share stories of the games with their unique perspectives and on-the-ground access in Paris. We also renewed our longstanding sports partnerships with the NFL, NBA, and WNBA, to provide official content across Stories and Spotlight for our community. In an effort to drive incremental performance for brands, we recently announced the Snap Advanced Partner Program, which will offer qualifying agencies and advertisers personalized training and enablement sessions, dedicated support, and additional tools and resources to enhance their campaigns.

Our sponsored AR advertising solutions offer marketers the opportunity to leverage unique and engaging augmented reality experiences that lift the measurable performance of their brand campaigns. Specifically, research has shown that campaigns that pair AR Ads with Video Ads on Snapchat deliver 1.6x ad awareness lift when compared to Video Ads alone. Research from our partnership with OMD and Amplified Intelligence found that Snapchat campaigns that include AR in their mix drive 5x more active attention compared to industry peers. In order to expand the reach and impact of our AR advertising solutions, we recently launched AR Extensions for businesses, which extend our AR advertising products beyond the camera to all of our ad surfaces, including our Dynamic Product Ads, Snap Ads, Collection Ads, Commercials, and Spotlight.

As we move forward, we have conviction that our continued focus on improving our ad platform — and delivering solutions that drive measurable business results for our advertising partners — is the key to building a larger and more durable



My Jewellery's campaign achieved
152% higher ROAS
after implementing CAPI



advertising business. With the most important foundational elements of our advertising platform now in place, we look forward to making further progress on helping our advertising partners grow their businesses.

Financials

Total revenue was \$1.24 billion in Q2, up 16% year-over-year, while advertising revenue was \$1.13 billion, up 10% year-over-year. DR advertising revenue increased 16% year-over-year driven by a combination of total active advertisers more than doubling year-over-year, continued progress with our 7-0 Pixel Purchase Optimization, and early contributions from the product improvements delivered for app-based advertisers. Brand-oriented advertising revenue declined 1% year-over-year, driven by particularly weak demand from certain consumer discretionary verticals including retail, technology, and entertainment, as well as the timing impact of holidays shifting out of Q2 in the current year. We continued to make progress toward diversifying our revenue sources, with Other Revenue up 151% year-over-year to reach \$105 million in Q2. Other Revenue includes all non-advertising revenue, the majority of which is Snapchat+ subscription revenue and Snapchat+ reached the 11 million subscriber milestone in Q2.

In Q2, North America revenue grew 12% year-over-year, with the relatively lower rate of growth in this region due to the impact of weaker brand-oriented demand being relatively concentrated in North America. DR was a bright spot in North America in Q2, driven in part by strong growth from our small- and medium-size customer segment. In an effort to accelerate our growth in the Americas, we made changes in Q2 to optimize our go-to-market organization in North America to better support clients where we see the best product market fit and greatest opportunity for our business going forward. Europe revenue grew 26% year-over-year, as continued progress on our DR ad platform, and a relatively more stable demand environment for Brand oriented advertising solutions, fully offset the impact of more challenging prior year comparisons. Rest of World revenue grew at 20% year-over-year, driven by the continued progress of our DR ad platform, while the deceleration versus the prior quarter growth rate was due primarily to the timing of holiday periods shifting out of Q2 this year.

Global impression volume grew approximately 13% year-over-year, driven in large part by expanded advertising delivery within Spotlight. Total eCPMs were down approximately 3% year-over-year as inventory growth exceeded advertising demand growth in Q2.

Adjusted cost of revenue was \$586 million in Q2, up 19% year-over-year. Infrastructure costs were the largest driver of the year-over-year increase in adjusted cost of revenue, driven in large part by the ramp in ML and AI investments that we implemented in Q2 and Q3 of the prior year. Infrastructure cost per DAU was \$0.81 in Q2, which is up from \$0.80 in the prior quarter, but below our expected range of \$0.83 to \$0.85 per DAU due to a combination of greater than expected engineering efficiencies and a more moderate ramp in ML and AI investments. The remaining components of adjusted cost of revenue were \$236 million in Q2, or 19% of revenue, which is in line with the prior quarter and at the lower end of our full-year cost structure guidance range. Adjusted gross margin was

REVENUE

Q2'23	\$1,068M
Q2'24	\$1,237M

+16%
year-over-year

GAAP GROSS MARGIN

Q2'23	\$571M
Q2'24	\$648M

ADJUSTED GROSS MARGIN¹

Q2'23	\$576M
Q2'24	\$651M

53%
Adjusted Gross Margin



relatively stable at 53% in Q2, up from 52% in the prior quarter but down slightly from 54% in the prior year.

Adjusted operating expenses were \$596 million in Q2, down 3% year-over-year. Personnel costs decreased 12% year-over-year in Q2 following the restructuring initiative we announced in Q1. We ended Q2 with 4,719 full-time headcount, down 11% year-over-year. The decline in personnel-related costs was partially offset by increases in legal related costs in Q2, including the impact of complying with an increasingly complex global regulatory environment, as well as the impact of a previously announced settlement with the state of California. In addition, we incurred \$8 million in costs related to the retroactive Digital Services Tax implemented by the Canadian government in Q2.

NET INCOME

Q2'23 (\$377)M

Q2'24 (\$249)M

Adjusted EBITDA was \$55 million in Q2, up from negative \$38 million in Q2 of the prior year, reflecting higher revenue and operating expense discipline. Adjusted EBITDA flow through — or the share of incremental year-over-year revenue that flowed through to Adjusted EBITDA — was 55% in Q2, up from 22% in Q1, as we continue to carefully prioritize our investments in order to drive topline growth and deliver improved profitability.

ADJUSTED EBITDA³

Q2'23 (\$38)M

Q2'24 \$55 M

Net loss was \$249 million in Q2, compared to a net loss of \$377 million in Q2 of the prior year. The improvement in net loss year-over-year reflects the flow-through of the \$93M improvement in Adjusted EBITDA as well as a \$57 million reduction in Stock Based Compensation (SBC) and related expenses. The reduction in SBC was driven by a combination of the diminished impact of refresh grants on the GAAP accounting of SBC,

combined with the reduction in headcount that resulted from our recent restructuring. The \$269 million of SBC and related expenses we reported in Q2 better reflects our SBC related expenses at current staffing levels. The benefits of improved Adjusted EBITDA and lower SBC were partially offset by \$16 million in costs associated with the early retirement of \$386 million of our outstanding convertible notes in Q2.

Free Cash Flow was negative \$73 million in Q2, which reflects the impact of collecting seasonally lower Q1 revenue in Q2. Over the trailing twelve months, Free Cash Flow was positive \$15 million while operating cash flow was positive \$244 million as we continue to balance investments with topline growth to deliver sustained positive cash flow.

Dilution, or year-over-year growth in our share count, was 1.9% in Q2, down from 3.8% in the prior quarter. As part of our efforts to responsibly manage the impact of SBC on our share count, we repurchased 7 million shares at a cost of \$76 million in Q2, reflecting an average share repurchase price of \$11.06. Since we began opportunistically managing our share count through share repurchases in Q3 of 2022, we have repurchased 151.5 million shares, representing 8.4% of fully diluted shares outstanding, at an average price of \$9.91 per share and a total cost of \$1.5 billion. In Q2, we issued \$750 million in convertible notes maturing in 2030 with a coupon of 50 basis points. In addition, we negotiated the repurchase of \$148 million of our 2025 convertible notes and \$238 million of our 2026 convertible notes. We also unwound the capped calls associated with our 2025 convertible notes, resulting in proceeds of \$63 million. We ended Q2 with \$3.1 billion in cash and marketable securities on hand, with no debt maturing in the current year, \$36 million maturing in 2025, and \$250 million maturing in 2026. We believe the combination of these transactions have ensured more than adequate liquidity for our operations while further strengthening our balance sheet for the long term.



Financial Outlook

As we enter Q3, we anticipate continued growth of our global community, and as a result, our Q3 guidance is built on the assumption that DAU will be approximately 441 million in Q3. We are focused on executing against our roadmap to deliver improvements to our advertising platform to drive strong performance for our advertising partners. Our Q3 guidance range for revenue is \$1.335 billion to \$1.375 billion, implying year-over-year revenue growth of 12% to 16%. Our investment plans for Q3 remain consistent with the full-year cost guidance ranges we provided last quarter, which assume we make modest incremental investments in infrastructure, personnel, and marketing to sustain the momentum we have established in our business, and that we continue to experience the impact of an increasing legal and regulatory burden on our cost structure. Given the revenue range above, and our investment plans for Q3, we estimate that Adjusted EBITDA will be between \$70 million and \$100 million in Q3. As we move forward into the second half of 2024, we will remain focused on prioritizing our investments carefully to deliver against the cost plans we have set out for our business, while investing prudently to deliver for our community and our partners. To learn more about the progress we are making for our community and our partners we encourage you to tune into our 6th annual Snap Partner Summit on Tuesday, September 17.

Q3 2024 Outlook	
Revenue	\$1.335 to \$1.375 billion
Adjusted EBITDA	\$70 to \$100 million
Full Year Outlook	
Infrastructure Cost per DAU	\$0.83 to \$0.85 cents per quarter
Content and Developer Partner Costs and Advertising Partner and Other Costs	19% to 21% of revenue
Adjusted Operating Expenses	\$2.425 to \$2.525 billion
Stock-Based Compensation and Related Charges	\$1.130 to \$1.200 billion

1. Adjusted gross margin is a non-GAAP measure, which we define as GAAP revenue less adjusted cost of revenue divided by GAAP revenue. Adjusted cost of revenue is a non-GAAP measure and excludes stock-based compensation expense, payroll and other tax expense related to stock-based compensation, depreciation and amortization, and certain other items impacting net income (loss) from time to time.
2. Adjusted operating expenses is a non-GAAP measure and excludes stock-based compensation expense, payroll and other tax expense related to stock-based compensation, depreciation and amortization, and certain other items impacting net income (loss) from time to time.
3. Adjusted EBITDA is a non-GAAP measure, which we define as net income (loss), excluding interest income; interest expense; other income (expense), net; income tax benefit (expense); depreciation and amortization; stock-based compensation expense; payroll and other tax expense related to stock-based compensation; and certain other items impacting net income (loss) from time to time. See Appendix for reconciliation of net loss to Adjusted EBITDA.
4. Free Cash Flow is a non-GAAP measure, which we define as net cash provided by (used in) operating activities, reduced by purchases of property and equipment. See Appendix for reconciliation of net cash provided by (used in) operating activities to Free Cash Flow.



Appendix

Forward Looking Statements

This letter contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this letter, including statements regarding guidance, our future results of operations or financial condition, future stock repurchase programs or stock dividends, business strategy and plans, user growth and engagement, product initiatives, objectives of management for future operations, and advertiser and partner offerings, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “going to,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will,” or “would” or the negative of these words or other similar terms or expressions. We caution you that the foregoing may not include all of the forward-looking statements made in this letter. You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this letter primarily on our current expectations and projections about future events and trends, including our financial outlook, macroeconomic uncertainty, and geo-political conflicts, that we believe may continue to affect our business, financial condition, results of operations, and prospects. These forward-looking statements are subject to risks and uncertainties related to: our financial performance; our ability to attain and sustain profitability; our ability to generate and sustain positive cash flow; our ability to attract and retain users, partners, and advertisers; competition and new market entrants; managing our growth and future expenses; compliance with new laws, regulations, and executive actions; our ability to maintain, protect, and enhance our intellectual property; our ability to succeed in existing and new market segments; our ability to attract and retain qualified team members and key personnel; our ability to repay or refinance outstanding debt, or to access additional financing; future acquisitions, divestitures, or investments; and the potential adverse impact of climate change, natural disasters, health epidemics, macroeconomic conditions, and war or other armed conflict, as well as risks, uncertainties, and other factors described in “Risk Factors” and elsewhere in our most recent periodic report filed with the U.S. Securities and Exchange Commission, or SEC, which is available on the SEC’s website at www.sec.gov. Additional information will be made available in Snap Inc.’s periodic report that will be filed with the SEC for the period covered by this letter and other filings that we make from time to time with the SEC. In addition, any forward-looking statements contained in this letter are based on assumptions that we believe to be reasonable as of this date. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of this letter or to reflect new information or the occurrence of unanticipated events, including future developments related to geo-political conflicts and macroeconomic conditions, except as required by law.

Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we use certain non-GAAP financial measures, as described below, to understand and evaluate our core operating performance. These non-GAAP financial measures, which may be different than similarly titled measures used by other companies, are presented to enhance investors’ overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. We use the non-GAAP financial measure of Free Cash Flow, which is defined as net cash provided by (used in) operating activities, reduced by purchases of property and equipment. We believe Free Cash Flow is an important liquidity measure of the cash that is available, after capital expenditures, for operational expenses and investment in our business and is a key financial indicator used by management. Additionally, we believe that Free Cash Flow is an important measure since we use third-party infrastructure partners to host our services and therefore we do not incur significant capital expenditures to support revenue generating activities. Free Cash Flow is useful to investors as a liquidity measure because it measures our ability to generate or use cash. Once our business needs and obligations are met, cash can be used to maintain a strong balance sheet and invest in future growth. We use the non-GAAP financial measure of Adjusted EBITDA, which is defined as net income (loss), excluding interest income; interest expense; other income (expense), net; income tax benefit (expense); depreciation and amortization; stock-based compensation expense; payroll and other tax expense related to stock-based compensation; and certain other items impacting net income (loss) from time to time. We believe that Adjusted EBITDA helps identify underlying trends in our business that could otherwise be masked by the effect of the expenses that we exclude in Adjusted EBITDA. We use the non-GAAP financial measure of non-GAAP net income (loss), which is defined as net income (loss), excluding amortization of intangible assets; stock-based compensation expense; payroll and other tax expense related to stock-based compensation; certain other items impacting net income (loss) from time to time; and related income tax adjustments. Non-GAAP net income (loss) and weighted average diluted shares are then used to calculate non-GAAP diluted net income (loss) per share. Similar to Adjusted EBITDA, we believe these measures help identify underlying trends in our business that could otherwise be masked by the effect of the expenses we exclude in the measure. We believe that these non-GAAP financial measures provide useful information about our financial performance, enhance the overall understanding of our past performance and future prospects, and allow for greater transparency with respect to key metrics used by our management for financial and operational decision-making. We are presenting these non-GAAP measures to assist investors in seeing our financial performance through the eyes of management, and because we believe that these measures provide an additional tool for investors to use in comparing our core financial performance over multiple periods with other companies in our industry. For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measure, please see “Reconciliation of GAAP to Non-GAAP Financial Measures” included as an Appendix to this letter. Snap Inc., “Snapchat,” and our other registered and common law trade names, trademarks, and service marks are the property of Snap Inc. or our subsidiaries.



Reconciliation of GAAP to Non-GAAP Financial Measures

(In thousands, unaudited)

	Three Months Ended				
Adjusted EBITDA Reconciliation:	6/30/23	9/30/23	12/31/23	3/31/24	6/30/24
Net income (loss)	\$(377,308)	\$(368,256)	\$(248,247)	\$(305,090)	\$(248,620)
Add (deduct):					
Interest income	(43,144)	(43,839)	(43,463)	(39,898)	(36,462)
Interest expense	5,343	5,521	5,275	4,743	5,113
Other (income) expense, net	(1,323)	20,662	34,447	81	20,792
Income tax (benefit) expense	12,093	5,849	3,275	6,932	5,202
Depreciation and amortization	39,688	41,209	43,882	38,098	37,930
Stock-based compensation expense	317,943	353,846	333,063	254,715	258,946
Payroll and other tax expense related to stock-based compensation	8,229	6,463	8,706	15,970	10,133
Restructuring charges ¹	–	18,639	22,211	70,108	1,943
Adjusted EBITDA²	\$(38,479)	\$40,094	\$159,149	\$45,659	\$54,977

	Three Months Ended				
Free Cash Flow Reconciliation:	6/30/23	9/30/23	12/31/23	3/31/24	6/30/24
Net cash provided by (used in) operating activities	\$(81,936)	\$12,781	\$164,574	\$88,352	\$(21,377)
Less:					
Purchases of property and equipment	(36,943)	(73,435)	(53,719)	(50,448)	(52,062)
Free Cash Flow³	\$(118,879)	\$(60,654)	\$110,855	\$37,904	\$(73,439)

- For the three months ended September 30, 2023 and December 31, 2023, charges relating to the wind down of our AR Enterprise business were composed primarily of cash severance, stock-based compensation expense, and charges related to the revision of the useful lives and disposal of certain acquired intangible assets. Additionally, we recognized an income tax benefit of \$6 million in the three months ended December 31, 2023 relating to the wind down, which is included in the income tax (benefit) expense line item above. For the three months ended March 31, 2024 and June 30, 2024, charges relating to the 2024 restructuring were composed primarily of cash severance and stock-based compensation expense. These charges are not reflective of underlying trends in our business.
- Adjusted EBITDA is a non-GAAP measure, which we define as net income (loss), excluding interest income; interest expense; other income (expense), net; income tax benefit (expense); depreciation and amortization; stock-based compensation expense; payroll and other tax expense related to stock-based compensation; and certain other items impacting net income (loss) from time to time.
- Free Cash Flow is a non-GAAP measure, which we define as net cash provided by (used in) operating activities, reduced by purchases of property and equipment.



