| ESTTA Tracking number: | **ESTTA1168164** |
|---|---|
| Filing date: | **10/25/2021** |

# IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
## BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

| Proceeding | 91271308 |
|---|---|
| Party | Plaintiff<br>Snap Inc. |
| Correspondence Address | TYWANDA HARRIS LORD<br>KILPATRICK TOWNSEND & STOCKTON LLP<br>1100 PEACHTREE STREET NE, SUITE 2800<br>ATLANTA, GA 30309<br>UNITED STATES<br>Primary Email: tlord@ktslaw.com<br>Secondary Email(s): rdthomas@ktslaw.com, kteilhaber@ktslaw.com, tmad-min@ktslaw.com, bkandela@ktslaw.com<br>4048156500 |
| Submission | Motion to Amend Pleading/Amended Pleading |
| Filer's Name | Kenesia L. Cook |
| Filer's email | tlord@ktslaw.com, kteilhaber@ktslaw.com, tmadmin@ktslaw.com, kcook@ktslaw.com |
| Signature | /Kenesia L. Cook/ |
| Date | 10/25/2021 |
| Attachments | 2021.10.25 Opposer's First Amended Notice of Opposition_Exhibits 1 - 7.pdf(4308546 bytes ) |

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

| | | |
|---|---|---|
| SNAP INC., | ) | |
| | ) | Opposition No. 91271308 |
| Opposer, | ) | |
| | ) | TM: SNAPSOLVE |
| v. | ) | (App. Serial No. 88880340) |
| | ) | |
| WHIZSOLVE PTE. LTD., | ) | |
| | ) | |
| Applicant. | ) | |
| | ) | |

## FIRST AMENDED NOTICE OF OPPOSITION

Opposer Snap Inc., a corporation organized and existing under the laws of Delaware with a principal place of business at 3000 31st Street, Santa Monica, California 90405 ("Snap"), will be damaged by registration of the mark SNAPSOLVE ("Applicant's Mark") set forth in Application Serial No. 88880340 (the "Application"), owned by WhizSolve Pte. Ltd., a company organized and existing under the laws of Singapore with an address of record at Asia Square Tower, 8 Marina View, Level 43, Singapore, Singapore 018960 ("Applicant"), and states the following for its opposition to the Application:

1.      Snap is the designer and distributor of the extremely popular SNAPCHAT camera and messaging application—available for both the iOS and Android operating systems— that, among other things, allows users to edit and share photographs, videos, and messages ("Snap Created Content") with others via mobile devices. The SNAPCHAT app launched in 2011.  Since at least as early as 2019 Snap's SNAPCHAT app included a feature that allows users to obtain solutions to math problems simply by scanning a math problem, whether in textbooks, on a screen, or handwritten.  The SNAPCHAT application then uses AI technology to solve the math problem for the user.

2. In addition to its common law rights, Snap has adopted and used numerous trademarks incorporating the term "SNAP" in connection with a wide variety of goods and services that includes and extends beyond the SNAPCHAT mobile application (collectively, the "SNAP Marks").

3. Snap owns numerous federal registrations for certain of its SNAP Marks, which cover a broad range of goods and services in Classes 9, 35, 36, 38, 41, 42, and 45, including those shown below (collectively, the "SNAP Registrations"):

| Trademark | Reg. No. | Filing Date/ Reg. Date | Goods/Services (First Use in Commerce) |
|---|---|---|---|
| SNAP | 4111564 | Jul. 11, 2011/ Mar. 13, 2012 | On-line social networking services in Class 45 (Dec. 17, 2007) |
| SNAPCHAT | 4375712 | Dec. 12, 2012/ Jul. 30, 2013 | Computer application software for mobile phones, portable media players, and handheld computers, namely, software for sending digital photos, videos, images, and text to others via the global computer network in Class 9 (Sep. 30, 2011) |
| SNAPCHAT | 5633315 | May 4, 2015/ Dec. 18, 2018 | Online retail store services featuring a wide variety of goods and services; providing an internet website portal featuring links to the online retail web sites of others; facilitating the exchange and sale of services and products of third parties via computer and communication networks in Class 35 (Feb. 2, 2018)<br><br>Providing temporary use of non-downloadable software applications for social networking, creating a virtual community, and transmission of audio, video, photographic images, text, graphics and data in Class 42 (Aug. 2018) |
| SNAP | 6420265 | Nov. 6, 2017/ Jul. 13, 2021 | Hosting digital content on the internet; providing online web facilities for managing and sharing online photographs, videos, text, music and digital content; providing photographic images, videos, music, audio, music, text, graphics, and other information from searchable indexes and databases, by means of the internet and communication networks; computer services, namely, creating virtual communities for registered users to participate in discussions and engage in social, business and community networking; application service provider (asp) services, namely, hosting computer software applications of others; application service provider (asp) featuring software to enable or facilitate the uploading, downloading, streaming, editing, modifying, posting, displaying, linking, sharing, transmission or otherwise providing photographs, videos, music and electronic media or information over the internet and communication networks; providing temporary use of on-line non-downloadable software applications for photo and video sharing; providing temporary use of on-line non-downloadable authentication software for controlling access |

| Trademark | Reg. No. | Filing Date/ Reg. Date | Goods/Services (First Use in Commerce) |
|---|---|---|---|
| | | | to and communications with computers and computer networks in Class 42 (Jul. 17, 2017) |

4.      The SNAP Registrations are valid and subsisting, and copies of the Certificates of Registration for each of the marks are attached collectively as **Exhibit 1**.

5.      Snap has extensively promoted and distributed its mobile application and related goods and services in connection with its SNAP Marks. These efforts have been extraordinarily successful. Since its launch in 2011, the SNAPCHAT application has been one of the fastest growing and most popular smartphone applications in the United States and the world. The SNAPCHAT application was declared the "Fastest Rising Startup" at the 2012 TechCrunch Crunchies Awards, and "Best Mobile Application" at the 2013 TechCrunch Crunchies Awards.[1] By February 2014, a study concluded that 77% of U.S. college students use the SNAPCHAT application at least once per day.[2]  By the end of 2014, the SNAPCHAT application had 70 million daily active users, and by the end of 2015, the app had over 100 million daily active users.[3]

6.      By February 2017, the SNAPCHAT application had an estimated 79% market share among teenagers and young adults in the United States, giving it the highest reach of social media

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[1]  Attached collectively as **Exhibit 2** are true and correct copies of two TechCrunch.com articles entitled (1) "*Snapchat Wins 'Fastest Rising Startup' At The 2012 Crunchies*, published on January 31, 2013 (http://techcrunch.com/2013/01/31/snapchat-wins-fastest-rising-startup-at-the-2012-crunchies/); and (2) "*Snapchat Wins 'Best Mobile Application' At The 2013 Crunchies, Award Disappears In 10 Seconds*," published on February 10, 2014 (http://techcrunch.com/2014/02/10/snapchat-wins-best-mobile-application-at-the-2013-crunchies-award-disappears-in-10-seconds/).
[2] Attached as **Exhibit 3** is a BusinessInsider.com article entitled "*77% Of Surveyed College Kids Use Snapchat Every Day*", published on February 24, 2014 (http://www.businessinsider.com/how-college-kids-use-snapchat-2014-2).
[3] Attached as **Exhibit 4** is a true and correct copy of a BusinessofApps.com article entitled "*Snapchat Revenue and Usage Statistics 2017*", updated on December 5, 2017 (http://www.businessofapps.com/data/snapchat-statistics/#1).

and networking sites, surpassing Facebook, Instagram, and Twitter.[4] Today, the growth continues: as of October 20, 2020, Snap's revenue increased 52% year-over-year—the highest third quarter growth rate since 2017.[5] Its market share has also increased since 2017, with Snap now reaching over 90% of the Gen Z population (those born between 1997 and 2012) in the United States and other countries like the United Kingdom and France, and 75% of the Gen Z and millennial population (those born between 1981 and 1996) in these same regions.[6]

7.      In 2019 alone, over 1.3 trillion items of Snap Created Content were produced by users,[7] and as of October 20, 2020, an average of 249 million people use the SNAPCHAT application daily.[8]

8.      The dramatic growth of the SNAPCHAT application made Snap's stock market debut in early 2017 one of the most anticipated and publicized IPOs of any U.S.-based technology company in history. Since the IPO, Snap continues to add new verticals to its business; some of its fastest growing include streaming, Tech, and eCommerce.[9] Through these and other offerings, Snap has partnered with companies like Pepsico, MGM, and HiSmile.[10] Snap has also entered high-profile advertising partnerships with the National Football League, Gatorade, Chase,

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[4] Attached as **Exhibit 5** is a Statista.com article entitled "*Reach of leading social media and networking sites used by teenagers and young adults in the United States as of February 2017*" (https://www.statista.com/statistics/199242/social-media-and-networking-sites-used-by-us-teenagers/).

[5] Attached as **Exhibit 6** is the transcript from Snap Inc.'s report of financial results for the third quarter of 2020 (https://s25.q4cdn.com/442043304/files/doc_financials/2020/q3/Snap-Inc.-Q3-2020-Earnings-Prepared-Remarks-(10.20.2020).pdf).

[6] **Exhibit 6**.

[7] Attached as **Exhibit 7** is the transcript from Snap Inc.'s report of financial results for the fourth quarter and full year 2019 (https://s25.q4cdn.com/442043304/files/transcript/q4-2019-transcript-v1.pdf).

[8] **Exhibit 6**.

[9] **Exhibit 6**.

[10] **Exhibit 6**.

BuzzFeed, Mashable, Cosmopolitan, CNN, HBO MAX, and Michael Kors, among others. Since its founding, Snap and the goods and services offered under its SNAPCHAT and SNAP marks have been the subject of thousands of articles in a wide range of media, solidifying the general public's exclusive association of the SNAPCHAT and SNAP marks with Snap's goods and services.

9.    As a result of Snap's extensive use and promotion of the SNAP Marks, the vast advertising and publicity the SNAP Marks have received, the substantial trading area in which the SNAP Marks are used, and the high degree of consumer recognition of the SNAP Marks, the SNAP Marks are strong, and deserving of a broad scope of legal protection, with the SNAPCHAT mark having become famous and widely recognized by the general public as an indicator of the origin of Snap's goods and services. Snap consequently derives invaluable goodwill from this recognition, association, and identification by the consuming public and the trade.

10.    Notwithstanding Snap's prior rights in the SNAP Marks, and long after the SNAPCHAT mark became famous, Applicant filed the Application with the USPTO on April 21, 2020, to register the SNAPSOLVE mark on the Principal Register for the following goods and services:

Class 9: *Downloadable educational computer software for helping students solve math problems and providing online math exercises; downloadable training software for helping students solve math problems and providing online math exercises; downloadable virtual classroom software for helping students solve math problems and providing online math exercises; downloadable computer and mobile software for helping students solve math problems; downloadable data communications software for communicating with math instructors to receive assistance on math assignments; downloadable computer*

*graphics software; downloadable computer software to enhance the audio-visual capabilities of multimedia applications, namely, for the integration of text, audio, graphics, still images and moving pictures and machine learning; downloadable augmented reality software for use in mobile devices for integrating electronic data with real world environments; downloadable electronic publications, namely, books, articles, magazines, hand-outs, instructional and educational course materials in the fields of education; apparatus and instruments for recording, transmitting, reproducing or processing sound, images or data; educational instruments used as teaching aids in the field of math and arithmetic, namely, manipulative blocks used to visualize math concepts; audio-visual teaching apparatus, namely, computers for use in classroom environments; teaching and instructional apparatus and instruments used as teaching aids in the field of math and arithmetic, namely, manipulative blocks used to visualize math concepts; recorded and downloadable media, namely, pre-recorded video cassettes, pre-recorded digital video discs, pre-recorded digital versatile discs, downloadable audio and video recordings, pre-recorded DVDs, and pre-recorded high definition digital discs featuring videos, presentations, images, messages, documents, audio materials in the field of math and arithmetic; blank digital or analogue recording and storage media, namely, blank optical disks, blank disk drives, blank magnetic disks, blank hard computer discs, blank video cassettes, blank digital video discs and blank digital versatile discs; calculating devices, namely, calculators; computers and computer peripheral devices; downloadable application software for helping students solve math and science problems; downloadable application software for education for providing online math and science exercises; downloadable computer software and software applications for taking, capturing,*

*uploading, transmitting, processing, and displaying pictures, videos, and data; downloadable educational materials, namely, downloadable video recordings, books, educational hand-out documents, and instructional materials being textbooks, articles, and magazines all featuring mathematics and science; downloadable electronic dictionary; downloadable curriculum materials in the nature of textbooks, educational hand-out documents, and workbooks for teaching in the field of mathematics and arithmetic; covers for mobile phones and smartphones; cases for smartphones and mobile phones; selfie sticks used as smartphone accessories; holders adapted for smartphones specifically adapted for use in vehicles; mobile phones; straps for smartphones; tablet computers; batteries; battery chargers; USB charges being battery chargers; USB cables; earphones; headphones; headsets, namely, headsets for use with computers, headsets for telephones, virtual reality headsets; audio speakers; protective films adapted for smartphones, mobile phones, or tablets; accessories designed for smartphones, mobile phones or tablets, namely, cases for mobile phones or tablets, screen protectors for mobile phones or tablets, battery packs for mobile phones or tablet, cables for mobile phones or tablet; magnets; sound alarms; sunglasses; cases for eyeglasses; optical apparatus and instruments, namely, optical readers, microscopes, and telescopes and binoculars; video screens; teaching robots; security surveillance robots; humanoid robots with artificial intelligence; cameras; downloadable, electronic instructional and teaching materials, namely, books, articles, magazines, educational hand-out documents, videos, presentations being collections of electronic slide images, images, and audio recordings in the fields of math and science; educational materials for teaching purposes, namely, manipulative blocks used as teaching aids for the visualization of math concepts; downloadable teaching*

*manuals in the fields of math and science; downloadable educational publications, namely, books, magazines, journals, newspapers, newsletters, and maps featuring mathematics and science; downloadable periodicals and magazines featuring mathematics and science; computer and software development system primarily comprised of computers and downloadable computer software development tools*

Class 16: *Printed teaching manuals in the fields of mathematics and arithmetic; printed instructional and teaching materials in the fields of mathematics and arithmetic; printed educational materials for teaching purposes in the fields of mathematics and science; printed instructional and teaching materials in the fields of mathematics and science; printed educational publications, namely, books, articles, magazines, hand-outs, instructional materials featuring mathematics and science; photographs; Stationery and educational supplies, namely, pencils and printed workbooks in the fields of mathematics and science; printed periodicals in the fields of mathematics and science; printed magazine in the fields mathematics and science; printed matters being books in the field of mathematics; printed publications being books in the field of science; printed time tables being books and brochures in the fields of mathematics and science; bookmarks; Printouts being printed educational classroom materials in the fields of mathematics and science; drawing materials, namely, pencils and paper; desk mats; document holders; pens; writing paper; pads of writing paper; writing tablets; paper; pencils; pictures; stands for pens and pencils; ink for pen; plastic sheets for writing, printing, and marking; plastic films and bags for wrapping and packaging*

Class 41: *Teaching and educational services, namely, providing classes in the field of mathematics; Educational services in the nature of coaching, namely, professional*

*coaching in the field of mathematics; computer assisted education services, namely, providing online tutoring and teaching in the fields of mathematics and science; publication of educational and teaching materials in the nature of textbooks; providing training, teaching and tutoring in the fields of mathematics and science; provision of online video tutorials in the fields of mathematics and science; arranging and conducting of video tutorials in the fields of mathematics and science; providing tutorial sessions in the field of mathematics; providing information in the field of education; publication of electronic books and journals on-line; educational instruction services, namely, providing classes in the field of science; Educational services, namely, providing classes in the field of science; training services in the fields of mathematics and science; tutoring services in the fields of mathematics and science; educational examinations services; entertainment services, namely, providing podcasts and computer game programs in the fields of mathematics and science; providing information in the field of education and entertainment; providing analysis in the field of education and entertainment, namely, providing analysis of educational test scores for others; presentation of videos online, namely, providing online, non-downloadable tutorial videos in the fields of mathematics and science; providing online, electronic, and non-downloadable publications in nature of books in the fields of mathematics and science; providing non-downloadable music and videos in the fields of mathematics and science via a global communication networks; multimedia publishing of printed matter in the nature of books; multimedia publishing of books, magazines, journals, newspapers, newsletters, and maps; multimedia publishing of tutorials, namely, publishing of educational videos in the fields of mathematics and science; publication of calendars, graphics, photographs, videos, music and electronic publications; electronic publication*

*of information in the form of books, magazines, journals, newspapers, newsletters on a wide range of topics on-line; publication of calendars of events; providing entertainment information via the internet; providing amusement information in the nature of providing information relating to amusement parts; entertainment services, namely, providing podcasts and computer game programs in the fields of mathematics and science; organization and presentation of shows for cultural purposes, academic competitions, online academic card game tournaments, online computer game tournaments, live music concerts and cultural entertainment events in the nature of music festivals; arranging, organizing, conducting, and hosting education and social entertainment events in the nature of academic competitions in the fields of mathematics and science; arranging, organizing, conducting, and hosting education events in the nature of academic competitions in the fields of mathematics and science; arranging and conducting education conferences in the fields of mathematics and science; organization of exhibitions in the fields of mathematics and science for cultural, educational, and entertainment purposes; Recording studio services; providing temporary use of online, non-downloadable computer games for educational use; providing temporary use of non-downloadable interactive multimedia computer game programs; educational services, namely, developing curriculum for teachers and educators; photography, film and video production services; teaching services relating to pedagogy techniques, namely, providing classes about pedagogy techniques; Online library services, namely, providing electronic library services which feature newspapers, magazines, photographs, pictures and videos via an on-line computer network; providing online, non-downloadable teaching manuals in the fields mathematics and arithmetic; providing online, non-downloadable educational*

*publications, namely, books, magazines, journals, newspapers, newsletters, and maps featuring mathematics and science; providing online and non-downloadable periodicals and magazines featuring mathematics and science; providing analysis in the field of education and entertainment, namely, analysis of pedagogy techniques used in the education of others; providing analysis in the field of education and entertainment, namely, analysis of educational test scores and educational data in the fields of mathematics and science for others*

Class 42: *Providing temporary use of non-downloadable, online computer and mobile software for helping students solve math problems and providing online math exercises; hosting multimedia educational content on the Internet; Providing temporary use of non-downloadable software for developing online educational materials; Product development consultancy for inventors in the field of education; computer and software development services; design and development of computer hardware and software; Software as a service (SaaS) services featuring software for machine learning, deep learning and deep neural networks in the nature of software for online learning and teaching in the fields of mathematics and science; providing temporary use of non-downloadable artificial intelligence computer programs on data networks for online learning and teaching in the fields of mathematics and science; Software as a Service (SaaS) featuring software for helping students solve math or science problems and providing online exercise in the fields of math and science; Platform as a Service (PaaS) featuring computer software platforms for helping students solve math or science problems and providing online exercise in the fields of math and science; Software as a Service (SaaS) services, namely, hosting software for the creation and distribution of multimedia*

*educational content in the nature of math or science problems and online exercise for*

*students in the fields of math and science; Platform as a Service (PaaS) services, namely,*

*hosting platforms for the creation and distribution of multimedia educational content in*

*the nature of math or science problems and online math or science exercise for students;*

*Platform as a Service (PaaS) services, namely, hosting software for the creation and*

*distribution of online interactive public calendars that allow multiple participants to share*

*event schedules and facility reservations; computer programming relating to the provision*

*of online education, game, and entertainment*

11.     The Application was filed originally on an intent-to-use basis. There is no issue as to priority. Snap's use of its SNAP Marks began years prior to the filing of the Application and before any actual or constructive use date of Applicant's Mark.

12.     Consumers familiar with the goods and services offered in connection with the SNAP Marks are likely to assume that goods and services offered under Applicant's Mark originate from the same source or that they are affiliated, connected, or associated with Snap.

13.     Applicant's Mark is very similar to the SNAP Marks in appearance and commercial impression. Indeed, Applicant's Mark incorporates the entirety of the SNAP trademark.

14.     The goods recited in the Application are identical or closely related to the goods and services that Snap currently provides in interstate commerce in connection with its SNAP Marks, and which it provided before the filing date of the Application and before any actual or constructive use date of Applicant's Mark.

15.     Snap would be damaged by registration of Applicant's Mark because the mark so closely resembles the SNAP Marks as to be likely to cause confusion, mistake, and deception. Persons familiar with the SNAP Marks, and the goods and services offered under those marks,

would be likely to believe erroneously that Applicant's goods and services are the goods and services of Snap or are authorized, endorsed, sponsored, or licensed by Snap. Thus, registration of Applicant's Mark on the Principal Register would be inconsistent with Snap's strong prior rights in its SNAP Marks under 15 U.S.C. § 1052(d).

16.     Snap would also be damaged by registration of Applicant's Mark because the mark is likely to dilute the distinctiveness of the famous SNAPCHAT mark by eroding consumers' exclusive identification of the mark with Snap, and otherwise lessening the capacity for Snap to identify and distinguish its goods and services, in violation of Section 43(c)(1) of the Lanham Act, 15 U.S.C. § 1125(c)(1).

17.     Snap therefore requests that the Board sustain this proceeding in Snap's favor by refusing registration to the SNAPSOLVE mark underlying Application Serial No. 88880340.

18.     The required opposition fee is being submitted electronically with this Notice of Opposition. The Director is authorized to debit Kilpatrick Townsend & Stockton LLP's Trademark Deposit Account No. 20-1430 for any deficiency in the required fee.

Dated: October 25, 2021                    Respectfully submitted,

                                           /Kenesia L. Cook/
                                           _____
                                           Tywanda Harris Lord
                                           Kenesia L. Cook
                                           Kilpatrick Townsend & Stockton LLP
                                           1100 Peachtree Street NE, Suite 2800
                                           Atlanta, Georgia 30309
                                           tlord@kilpatricktownsend.com
                                           kcook@kilpatricktownsend.com
                                           Phone: (404) 815-6500

                                           *Counsel for Opposer Snap Inc.*

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

| | | |
|---|---|---|
| SNAP INC., | ) | |
| | ) | Opposition No. 91271308 |
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| | ) | TM: SNAPSOLVE |
| v. | ) | (App. Serial No. 88880340) |
| | ) | |
| WHIZSOLVE PTE. LTD., | ) | |
| | ) | |
| Applicant. | ) | |
| | ) | |

## CERTIFICATE OF SERVICE

This is to certify that OPPOSER SNAP INC'S FIRST AMENDED NOTICE OF OPPOSITION was served on Applicant's counsel of record on October 25, 2021, via the email addresses of record:

> Jacqueline M. Lesser
> Baker & Hostetler LLP
> jlesser@bakerlaw.com
> mwang@bakerlaw.com
> lgehman@bakerlaw.com
> llabella@bakerlaw.com
> bhipdocket@bakerlaw.com

> /Kris Teilhaber/
> Kilpatrick Townsend & Stockton LLP

**EXHIBIT 1**

# United States of America

## United States Patent and Trademark Office

# SNAP

**Reg. No. 4,111,564**

**Registered Mar. 13, 2012**

**Amended Sep. 05, 2017**

**Int. Cl.: 45**

**Service Mark**

**Principal Register**

SNAP INC. (DELAWARE CORPORATION)
63 MARKET STREET
VENICE, CA 90291

CLASS 45: On-line social networking services

FIRST USE 12-17-2007; IN COMMERCE 12-17-2007

THE MARK CONSISTS OF STANDARD CHARACTERS WITHOUT CLAIM TO ANY PARTICULAR FONT STYLE, SIZE OR COLOR

SER. NO. 85-368,311, FILED 07-11-2011

*Joseph Matal*

Performing the Functions and Duties of the
Under Secretary of Commerce for
Intellectual Property and Director of the
United States Patent and Trademark Office

<div style="border:1px solid black; padding:10px;">

**REQUIREMENTS TO MAINTAIN YOUR FEDERAL TRADEMARK REGISTRATION**

**WARNING: YOUR REGISTRATION WILL BE CANCELLED IF YOU DO NOT FILE THE DOCUMENTS BELOW DURING THE SPECIFIED TIME PERIODS.**

</div>

**Requirements in the First Ten  Years***
**What and When to File:**

- *First Filing Deadline:*  You must file a Declaration of Use (or Excusable Nonuse) between the 5th and 6th years after the registration date.  See 15 U.S.C. §§1058, 1141k.  If the declaration is accepted, the registration will continue in force for the remainder of the ten-year period, calculated from the registration date, unless cancelled by an order of the Commissioner for Trademarks or a federal court.

- *Second Filing Deadline:*  You must file a Declaration of Use (or Excusable Nonuse) and an Application for Renewal between the 9th and 10th years after the registration date.* See 15 U.S.C. §1059.

**Requirements in Successive Ten-Year Periods***
**What and When to File:**

- You must file a Declaration of Use (or Excusable Nonuse)  and  an  Application for Renewal between every 9th and 10th-year period, calculated from the registration date.*

**Grace Period Filings***

The above documents will be accepted as timely if filed within six months after the deadlines listed above with the payment of an additional fee.

**\*ATTENTION MADRID PROTOCOL REGISTRANTS:**  The holder of an international registration with an extension of protection to the United States under the Madrid Protocol must timely file the Declarations of Use (or Excusable Nonuse) referenced above directly with the United States Patent and Trademark Office (USPTO). The time periods for filing are based on the U.S. registration date (not the international registration date).  The deadlines and grace periods for the Declarations of Use (or Excusable Nonuse) are identical to those for nationally issued registrations.  See 15 U.S.C. §§1058, 1141k.  However, owners of international registrations do not file renewal applications at the USPTO.  Instead, the holder must file a renewal of the underlying international registration at the International Bureau of the  World Intellectual Property Organization, under Article 7 of the Madrid Protocol, before the expiration of each ten-year term of protection, calculated from the date of the international registration.  See 15 U.S.C. §1141j.  For more information and renewal forms for the international registration, see http://www.wipo.int/madrid/en/.

**NOTE:  Fees and requirements for maintaining registrations are subject to change.  Please check the USPTO website for further information.  With the exception of renewal applications for registered extensions of protection, you can file the registration maintenance documents referenced above online at** http://www.uspto.gov.

**NOTE:  A courtesy e-mail reminder of USPTO maintenance filing deadlines will be sent to trademark owners/holders who authorize e-mail communication and maintain a current e-mail address with the USPTO.  To ensure that e-mail is authorized and your address is current, please use the Trademark Electronic  Application System (TEAS) Correspondence  Address and Change of Owner  Address Forms available at** http://www.uspto.gov.

# United States of America

## United States Patent and Trademark Office

# SNAPCHAT

**Reg. No. 4,375,712**

**Registered July 30, 2013**

**Int. Cl.: 9**

**TRADEMARK**

**PRINCIPAL REGISTER**

SNAPCHAT, INC. (DELAWARE CORPORATION)
523 OCEAN FRONT WALK
VENICE, CA 90291

FOR: COMPUTER APPLICATION SOFTWARE FOR MOBILE PHONES, PORTABLE MEDIA PLAYERS, AND HANDHELD COMPUTERS, NAMELY, SOFTWARE FOR SENDING DIGITAL PHOTOS, VIDEOS, IMAGES, AND TEXT TO OTHERS VIA THE GLOBAL COMPUTER NETWORK, IN CLASS 9 (U.S. CLS. 21, 23, 26, 36 AND 38).

FIRST USE 9-30-2011; IN COMMERCE 9-30-2011.

THE MARK CONSISTS OF STANDARD CHARACTERS WITHOUT CLAIM TO ANY PARTICULAR FONT, STYLE, SIZE, OR COLOR.

SER. NO. 85-800,506, FILED 12-12-2012.

PATRICIA EVANKO, EXAMINING ATTORNEY

Acting Director of the United States Patent and Trademark Office

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┌─────────────────────────────────────────────────────────────────────────┐
│                REQUIREMENTS TO MAINTAIN YOUR FEDERAL                       │
│                      TRADEMARK REGISTRATION                                │
│                                                                           │
│     WARNING: YOUR REGISTRATION WILL BE CANCELLED IF YOU DO NOT FILE THE    │
│            DOCUMENTS BELOW DURING THE SPECIFIED TIME PERIODS.              │
└─────────────────────────────────────────────────────────────────────────┘
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**Requirements in the First Ten Years\***
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> *See* 15 U.S.C. §1059.

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**Grace Period Filings\***

The above documents will be accepted as timely if filed within six months after the deadlines listed above with the payment of an additional fee.

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┌─────────────────────────────────────────────────────────────────────────┐
│  The United States Patent and Trademark Office (USPTO) will NOT send you   │
│  any future notice or reminder of these filing requirements.              │
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**NOTE: Fees and requirements for maintaining registrations are subject to change. Please check the USPTO website for further information. With the exception of renewal applications for registered extensions of protection, you can file the registration maintenance documents referenced above online at** http://www.uspto.gov.

# United States of America
## United States Patent and Trademark Office

# SNAPCHAT

**Reg. No. 5,633,315**

**Registered Dec. 18, 2018**

**Int. Cl.: 35, 42**

**Service Mark**

**Principal Register**

SNAP INC. (DELAWARE CORPORATION)
2772 Donald Douglas Loop North
Santa Monica, CALIFORNIA 90405

CLASS 35: Online retail store services featuring a wide variety of goods and services; providing an internet website portal featuring links to the online retail web sites of others; facilitating the exchange and sale of services and products of third parties via computer and communication networks

FIRST USE 2-2-2018; IN COMMERCE 2-2-2018

CLASS 42: Providing temporary use of non-downloadable software applications for social networking, creating a virtual community, and transmission of audio, video, photographic images, text, graphics and data

FIRST USE 8-00-2018; IN COMMERCE 8-00-2018

THE MARK CONSISTS OF STANDARD CHARACTERS WITHOUT CLAIM TO ANY PARTICULAR FONT STYLE, SIZE OR COLOR

OWNER OF U.S. REG. NO. 4375712

SER. NO. 86-984,252, FILED 05-04-2015

Director of the United States
Patent and Trademark Office

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**Requirements in the First Ten Years\***
**What and When to File:**

- *First Filing Deadline:* You must file a Declaration of Use (or Excusable Nonuse) between the 5th and 6th years after the registration date. See 15 U.S.C. §§1058, 1141k. If the declaration is accepted, the registration will continue in force for the remainder of the ten-year period, calculated from the registration date, unless cancelled by an order of the Commissioner for Trademarks or a federal court.

- *Second Filing Deadline:* You must file a Declaration of Use (or Excusable Nonuse) and an Application for Renewal between the 9th and 10th years after the registration date.\* See 15 U.S.C. §1059.

**Requirements in Successive Ten-Year Periods\***
**What and When to File:**

- You must file a Declaration of Use (or Excusable Nonuse) and an Application for Renewal between every 9th and 10th-year period, calculated from the registration date.\*

**Grace Period Filings\***

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**NOTE: A courtesy e-mail reminder of USPTO maintenance filing deadlines will be sent to trademark owners/holders who authorize e-mail communication and maintain a current e-mail address with the USPTO. To ensure that e-mail is authorized and your address is current, please use the Trademark Electronic Application System (TEAS) Correspondence Address and Change of Owner Address Forms available at** http://www.uspto.gov.

# United States of America
## United States Patent and Trademark Office

# SNAP

**Reg. No. 6,420,265**
**Registered Jul. 13, 2021**
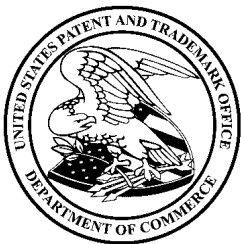**Int. Cl.: 42**
**Service Mark**
**Principal Register**

Snap Inc. (DELAWARE CORPORATION)
2772 Donald Douglas Loop North
Santa Monica, CALIFORNIA 90405

CLASS 42: Hosting digital content on the internet; providing online web facilities for managing and sharing online photographs, videos, text, music and digital content; providing photographic images, videos, music, audio, music, text, graphics, and other information from searchable indexes and databases, by means of the internet and communication networks; computer services, namely, creating virtual communities for registered users to participate in discussions and engage in social, business and community networking; application service provider (ASP) services, namely, hosting computer software applications of others; application service provider (ASP) featuring software to enable or facilitate the uploading, downloading, streaming, editing, modifying, posting, displaying, linking, sharing, transmission or otherwise providing photographs, videos, music and electronic media or information over the internet and communication networks; providing temporary use of on-line non-downloadable software applications for photo and video sharing; providing temporary use of on-line non-downloadable authentication software for controlling access to and communications with computers and computer networks

FIRST USE 7-17-2017; IN COMMERCE 7-17-2017

THE MARK CONSISTS OF STANDARD CHARACTERS WITHOUT CLAIM TO ANY PARTICULAR FONT STYLE, SIZE OR COLOR

SER. NO. 87-983,411, FILED 11-06-2017

Performing the Functions and Duties of the
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office

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**Requirements in the First Ten Years***
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**Grace Period Filings***

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**EXHIBIT 2**

# TC

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# The 6th Annual Crunchies Awards

January 31, 2013 | Davies Symphony Hall, San Francisco, CA

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## Snapchat Wins "Fastest Rising Startup" At The 2012 Crunchies

*Posted Jan 31, 2013 by* **Frederic Lardinois** (*@fredericl*)

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Mobile photo messaging app Snapchat just won "Fastest Rising Startup" at this year's edition of the Crunchies. If startups are really all about growth, then our voters couldn't have picked a better winner than Snapchat, which didn't just grow into a massively popular service this year, but also spawned a whole ecosystem of sites that teach its users how to get images out of the service before they are automatically deleted. Fastest Rising Startup was presented on stage by Danny Lopez, the British Consul-General in New York and Head of the U.S. operations of UK Trade & Investment, and Venture Beat's Jolie O'Dell.

The runner up in this category was payment service Stripe. Other nominees included Lyft, Pinterest and Exec, the company that was maybe the most excited to be nominated for a Crunchie this year. Fastest Rising Startup was a new category at the Crunchies this year. Pinterest won "Best New Startup of 2011" last time around.

The Snapchat co-founders Evan Spiegel and Bobby Murphy, who started the service as a

class project at Stanford University in 2011, obviously had a massive year as their service quickly went mainstream over the last few months and grew to over 50 million snaps per day by the end of 2012. At the same time, though, Snapchat also got somewhat of a bad rep and is often equated with "sexting," something that's apparently pretty popular these days. Still, Snapchat's success spawned a good number of clones, including Facebook's Poke app.

Snapchat expanded to Android in November 2012 and is rumored to be in the process of raising an $8 million funding round to expand and scale its service.

### Snapchat – Fastest Rising Startup Award at The 2012 Crunchies Awards



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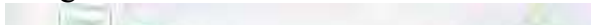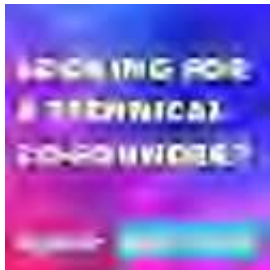
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## After A Triumphant App Store Return, Google Maps Wins The Crunchie For "Best Mobile Application"

*Posted Jan 31, 2013*



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# 7th Annual Crunchies Awards

February 10, 2014 | Davies Symphony Hall, San Francisco, CA

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## Snapchat Wins 'Best Mobile Application' At The 2013 Crunchies, Award Disappears In 10 Seconds

Posted Feb 10, 2014 by *Darrell Etherington* (*@drizzled*)

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This year's best mobile app is Snapchat, at least according to the 2013 Crunchies Awards.
The ephemeral photo and video messaging app beat out a tough crowd this year, including

Mailbox, Tinder, VSCO Cam and WhatsApp. This is Snapchat's second Crunchie, since it won fastest rising startup last year for its speedy early user growth.

Snapchat began in 2011 at Stanford, and the service took off, finding purchase not just among the usual early adopter crowd, but also with mainstream users. Snapchat was reportedly sending 400 million messages per day as of November, which is 8 times the volume of snaps that were being sent as of the end of 2012, when it won its fastest riser award at our show.

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### Snapchat Named Best Mobile App | Crunchies Awards 2013

Co-founder Evan Spiegel accepted the award for the startup from TechCrunch writer Greg Kumparak, Yahoo CEO Marissa Mayer and Yahoo SVP of Mobile and Emerging Products Adam Cahan. The winner last year was Google Maps, which vaulted into the top spot based on its long-awaited release on iOS after it was removed from the default set of pre-installed applications by Apple in iOS 6.

Snapchat has indeed won the moment, and is riding high enough that Spiegel famously turned down a $3 billion acquisition offer from Facebook for the app. So far, it seems like it'll accrue a lot more than just 10 seconds of fame before it flames out, but it'll be interesting to see how it plans to mature as a business from here.
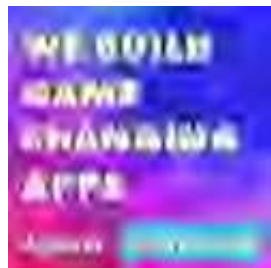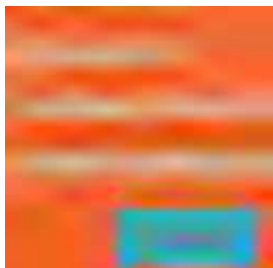
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**EXHIBIT 3**

# 77% Of Surveyed College Kids Use Snapchat Every Day

Alyson Shontell Feb 25, 2014, 1:26 PM

A study polled 1,600 social media-savvy college students and found 77% of them use Snapchat daily.

The study showed only 2% of them using Snapchat to send sexts. Mostly both sexes send selfies back and forth. The study also found that Friday and Saturday are the most popular evenings to swap disappearing photos, and that more than half the time, both sexes send selfies.

Evan Spiegel and Bobby Murphy, Snapchat's CEO and CTO respectively.
Colbert Report screenshot

The study, which was found by Mashable, was produced by Sumpto. Sumpto is a marketing company that works with 50,000 influential college students on social media. It's unclear how Snapchat stacked up against other social media sites, such as Facebook or Twitter.

Sumpto sent the infographic showing how college kids use Snapchat to Business Insider. Here it is below.

## HEY COLLEGE STUDENTS, WHAT'S THE DEAL WITH SNAPCHAT?

Sumpto tapped into its community of influential college students and polled 1,600 regarding their Snapchat usage

### DO YOU EVEN SNAPCHAT?

**77%** of college students use Snapchat at least ONCE a day

**70%** of college students use Snapchat the most on Friday and Saturday

**81%** of college students use Snapchat the most during the late afternoon and into the night

### LET'S TALK ABOUT SEXT, BABY

HAS SNAPCHAT AFFECTED THE AMOUNT YOU SEXT?

BEFORE SNAPCHAT **83%**   AFTER SNAPCHAT **81%**

...OF COLLEGE STUDENTS SEXTED LESS THAN 10%

### ...UHHH, SO THEN WHAT ARE THEY USING IT FOR?

**37%** CREATIVITY   **27%** KEEPING IN TOUCH   **23%** EASIER THAN TEXTING   **11%** OTHER   **2%** SEXTING

CREATIVITY    KEEPING IN    EASIER THAN    OTHER    SEXTING
              TOUCH         TEXTING

## IS THIS MORE THAN JUST A DISAPPEARING ACT?

LESS THAN 3 SECONDS    7%

3-5 SECONDS    23%

5-7 SECONDS    43%

MORE THAN 7 SECONDS    27%

**AVERAGE TIMER LENGTH PER SNAPCHAT**

10% VS. 79%

USE DRAWING    USE TEXT

MORE THAN HALF OF THE TIME

### ...IT'S A VALUABLE FORM OF COMMUNICATION

**73%** of college students Snapchat a picture more than half of the time...

### ...BUT FIRST, LET ME TAKE A #SELFIE

50% of GUYS

70% of GIRLS

**SEND SNAPCHATS THAT ARE #SELFIES MORE THAN HALF OF THE TIME**

**60%** of college students use "My Story" LESS than 10% of the time

### SNAPCHAT IS A NEW FORM OF COMMUNICATION THAT IS...

NARCISSISTIC        NOT for sexting

MORE than just a picture

A NEW form of expression        PRIVATE

DAILY    For keeping IN TOUCH

VALUED by the sender

### HEY. BRANDS. CHECK THIS OUT.......BUT SERIOUSLY

45% VS. 73%

OF COLLEGE STUDENTS WOULD OPEN A SNAPCHAT FROM A BRAND THEY DIDN'T KNOW

OF COLLEGE STUDENTS WOULD OPEN A SNAPCHAT FROM A BRAND THEY DID KNOW

### HOW DO I KNOW. THAT THEY KNOW. THAT I KNOW. THAT THEY KNOW ME?

(PERCENTAGE OF COLLEGE STUDENTS THAT WOULD BE WILLING TO ADD A BRAND AS A FRIEND ON SNAPCHAT, BECAUSE THEY FOLLOW THEM ON ANOTHER SOCIAL NETWORK)

NO    31%    69%    YES

### WELL, UH, HOW DO I CONNECT WITH THEM?

69%    67%    58%

**69%** of college students said that they would be more inclined to open a Snapchat picture from a brand

**67%** of college students would most want to receive discounts or promotions from brands on Snapchat

**58%** of college students would be most likely to purchase a brand's product or service if they were sent a coupon on Snapchat

**WANT TO CONNECT WITH THE COLLEGE DEMOGRAPHIC?**
(We're THE online marketing and brand insights platform for the college demographic)

**sumpto**          **@SUMPTO**

Sumpto.

*Get the latest Snap stock price here.*

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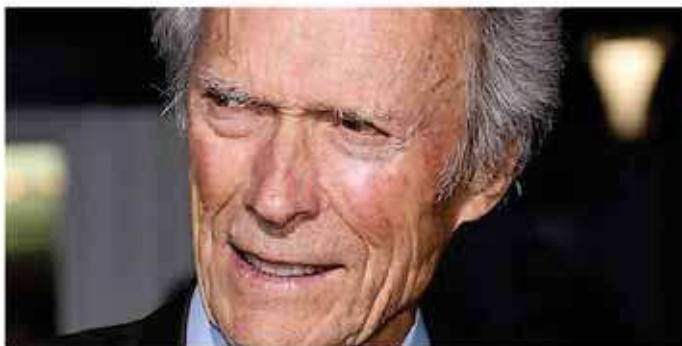


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Inside the chaotic 'Valentine's Day massacre' at Wayfair where hundreds of workers lost their jobs



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how they did it — and what it looks
like now.


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# EXHIBIT 4

# Snapchat Revenue and Usage Statistics 2017

Artyom Dogtiev    Updated: December 5, 2017

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Snapchat is an image and video messaging app, developed by Stanford University students Evan Spiegel, Bobby Murphy, and Reggie Brown in 2011. It allows users to capture and send so called 'snaps' that are only viewable for a set duration between 1 to 10 seconds after which they are automatically deleted or with no time limitation until they were closed by recipient.

**Exclusive Bonus:** Download our App Statistics Report

Snapchat users have an option to save specific snaps on a private storage area with "Memories" feature. Also the app users can add to snaps various Augmented Reality objects and web links. Snapchat allows users to see locations on a map where other snapchatters made their snaps, thanks to the Crowd Surf feature snapchatters can see video footage of a particular event shot from different vantage points. In 2016 Snap Inc., the company that developed the app, began to sell Spectacles, glasses with a built-in camera capable of recording 10 seconds of video and posting it online via paired smartphone.

*Snapchat image and video messaging app*

*Source: 9to5Mac*

## Table of contests

- Snapchat User Statistics

- Snapchat Usage Statistics

- Snap Inc. Revenue

- Snapchat vs. Instagram Statistics

Today Snapchat is uniquely positioned as a social media app that fits millennials communication needs better than any other social media and, with introduction video content shot for this platform specifically, essentially becomes a cable TV substitute for millennials. Let's review some of key Snapchat statistics data points that will allow you to get a better grasp on what is Snapchat today and how it got to this point.

## Snapchat Key Data Points

- US penetration rate among 12-17 years old – 83% (*Source: eMarketer*)

- 53% of Snapchat US users are under 34 years old (Source: Statista)

- 28% of Snapchat US users are 18-24 years old (Source: Statista)

- 70% of Snapchat users are female (Source: Snapchat)

- 77% of college students use Snapchat (Source: Mashable)

- 50% of college students use the app as a means of communication (Source: Mashable)

- Snapchat daily users worldwide – 173 million (Source: Statista)

- Snapchat U.S. DAUs: – 68 million (Source: Snap Inc. S-1 filing)

- Snapchat Europe DAUs – 52 million (Source: Snap Inc. S-1 filing)

- Number of snaps sent daily – 3 billion+ (Source: Statista)

- Snapchat users over 25 open the app 12 times / day for 20 mins in total (Source: Venturebeat)

- Snapchat users under 25 open the app 25 times / day for 30 mins in total (Source: Venturebeat)

- 25% of Snapchat DAUs post to their Story every day (Source: TechCrunch)

- Snapchat daily video views – 10 billion (Source: Mashable)

- Snap Inc. net revenue Q2, 2017 – $182 million (Source: Snap Inc.)

- Snap Inc. current market capitalization – $17.4 billion (Source: Yahoo Finance)

- Snapchat Discover ad pricing – $50,000+ a day (Source: Wallaroomedia.com)

- Snap Inc. net revenue Q2, 2017 – $182 million (Source: Snap Inc.)
- Snap Inc. current market capitalization – $17,4 billion (Source: Yahoo Finance)
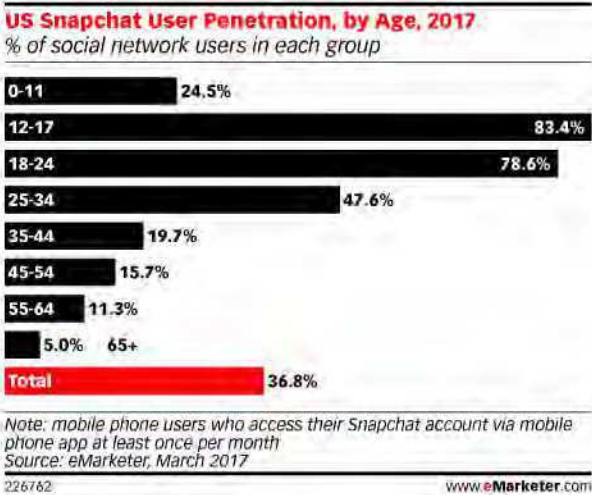- Snapchat Discover ad pricing – $50,000+ a day (Source: Wallaroomedia.com)

As of August 2017, the app had 173 million active users, with 3+ billion snaps sent every day. In addition, Snapchat Stories, a way to view a user's collection for longer than a few seconds, are being viewed 10 billion times a day.

The company initially raised $485,000 in 2012 led by Lightspeed Venture Partners, followed by multiple rounds throughout 2013 and a substantial $485m D series in 2014 from August Capital, Yahoo, GIC and Kleiner Perkins Caufield & Byers. In February 2015, it was reported that Snapchat was raising yet another round at a $19 billion valuation. In 2016 Snapchat raised $1.8 billion in a Series F round. On March 2, 2017 the company went public.

Back in 2015 Snapchat began to monetize its platform by introducing "Discover"- the feature that allows publishers to advertise their third-party short-form content. With Discover, users can browse media content from partners such as CNN, Cosmopolitan and others. Snapchat then keeps 40% of ad revenue it sells to publishers on Discover.

### Snapchat User Statistics

The core user group of Snapchat is millennials. The recent eMarketer data reveals that 83% of US teens age 12-17 use Snapchat at least once a month, Americans age 18-24 are on the second place with 79% and age 25-34 penetration rate is 48%.

**US Snapchat User Penetration, by Age, 2017**
*% of social network users in each group*

| | |
|---|---|
| 0-11 | 24.5% |
| 12-17 | 83.4% |
| 18-24 | 78.6% |
| 25-34 | 47.6% |
| 35-44 | 19.7% |
| 45-54 | 15.7% |
| 55-64 | 11.3% |
| 65+ | 5.0% |
| **Total** | **36.8%** |

*Note: mobile phone users who access their Snapchat account via mobile phone app at least once per month*
*Source: eMarketer, March 2017*
226762                                    www.**e**Marketer.com

Source: eMarketer

However in 2017 Snapchat gained a higher adoption among older US population. The comScore's data for 2016 and 2017 shows that as much as 47% of Americans use Snapchat this year, 18% jump from 2016. The most striking growth among other age groups is with people 45 years old and older, where penetration double and more.
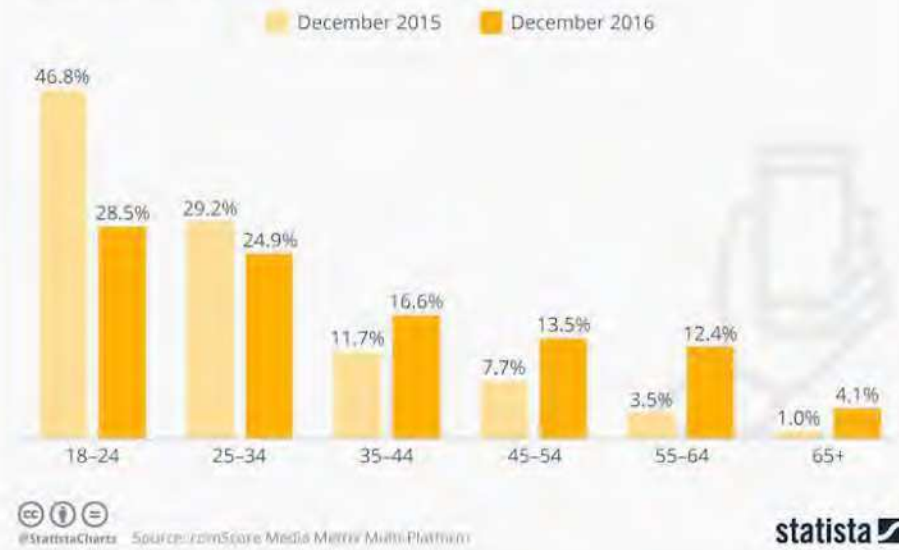
*Age composition of Snapchat users aged 18+ in US*

### Snapchat Is Growing Up
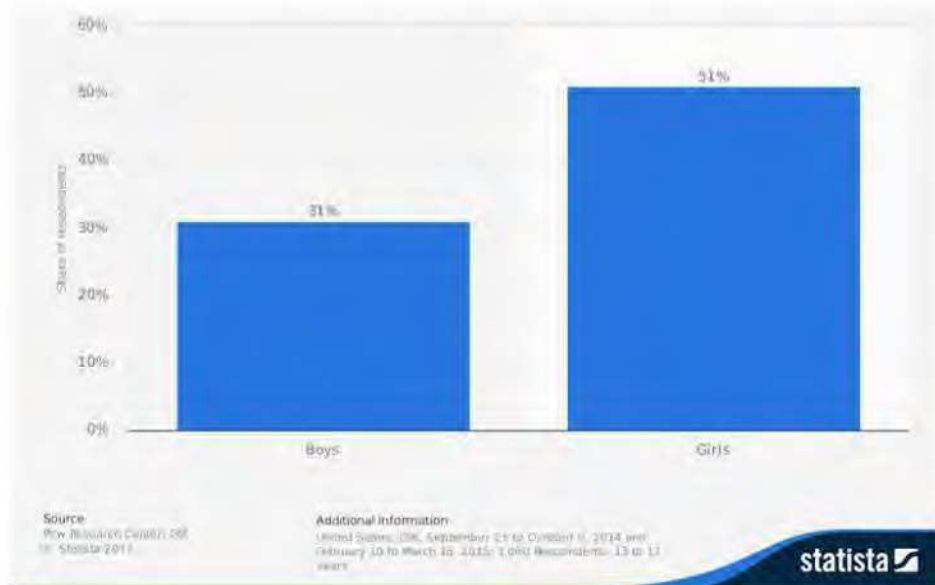Age composition of Snapchat users aged 18+ in the United States

## Snapchat Is Growing Up

Age composition of Snapchat users aged 18+ in the United States



Bar chart: December 2015 (light) vs December 2016 (dark)
- 18–24: 46.8% / 28.5%
- 25–34: 29.2% / 24.9%
- 35–44: 11.7% / 16.6%
- 45–54: 7.7% / 13.5%
- 55–64: 3.5% / 12.4%
- 65+: 1.0% / 4.1%

@StatistaCharts  Source: comScore Media Metrix Multi-Platform

statista

*Source: Statista.com*

According to Statista, Snapchat penetration among teens by gender is 51% for girls and 31% for boys.

*Percentage of teenagers in US who use Snapchat in March 2015, by gender*



Bar chart:
- Boys: 31%
- Girls: 51%

Source
Pew Research Center on
Statista 2017

Additional information
United States; DK; September 25 to October 9, 2014 and
February 10 to March 16, 2015; 1,060 Respondents; 13 to 17
years

statista

*Source: Statista*

Data collected by Sumpto, which questioned over 1,600 social media users across US colleges, highlights that 77% of college students use Snapchat at least once a day with evenings being a prime time for 81% of users as well as weekends (70%).

*77% of college students use Snapchat*

colleges, highlights that 77% of college students use Snapchat at least once a day with evenings being a prime time for 81% of users as well as weekends (70%).

*77% of college students use Snapchat*



Source: mashable.com

The study adds that 37% of college students say they engage with Snapchat creatively, followed by 50% who are using the app as a means of communication. 2% admitted being involved in sexting through Snapchat.

*Most Snapchat users engage in the app to communicate*



Source: mashable.com

In addition, 35% of students believe Snapchat to offer the most amount of privacy across other social networks, an increasingly important criteria for millennial social media users.

However, the Sumpto research finds that marketers may have it all wrong and should start paying attention to Snapchat. It shows that 45% of college students would actually open a snap from an unknown brand and 73% of them would open snaps from a known brand. Another 69% of students would even add a known brand as their friend on Snapchat, opening up brands to a more personal stream of engagement with their customers. Promotions such as sales offers (67%) and coupons (58%) were the preferred information that students wish to be sent from brands.

*Brand engagement on Snapchat could be huge*
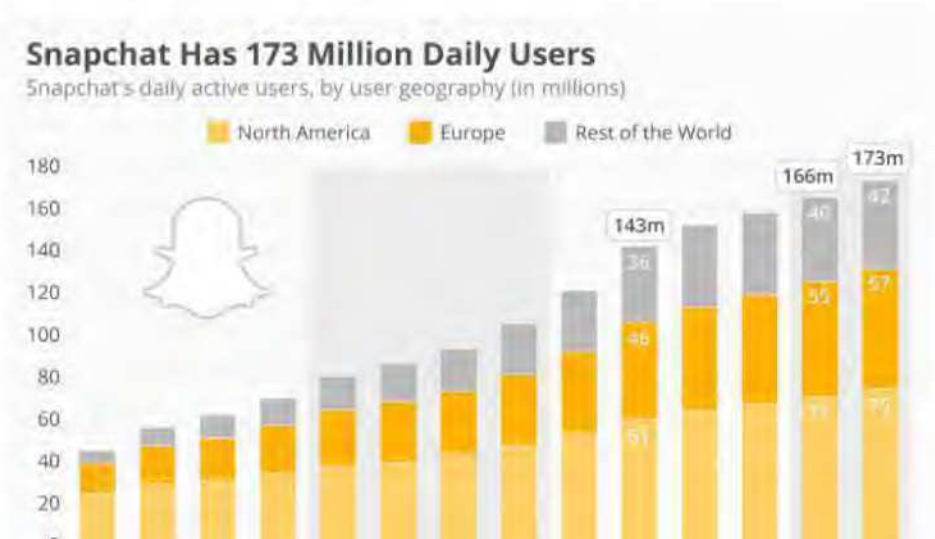
*Brand engagement on Snapchat could be huge*
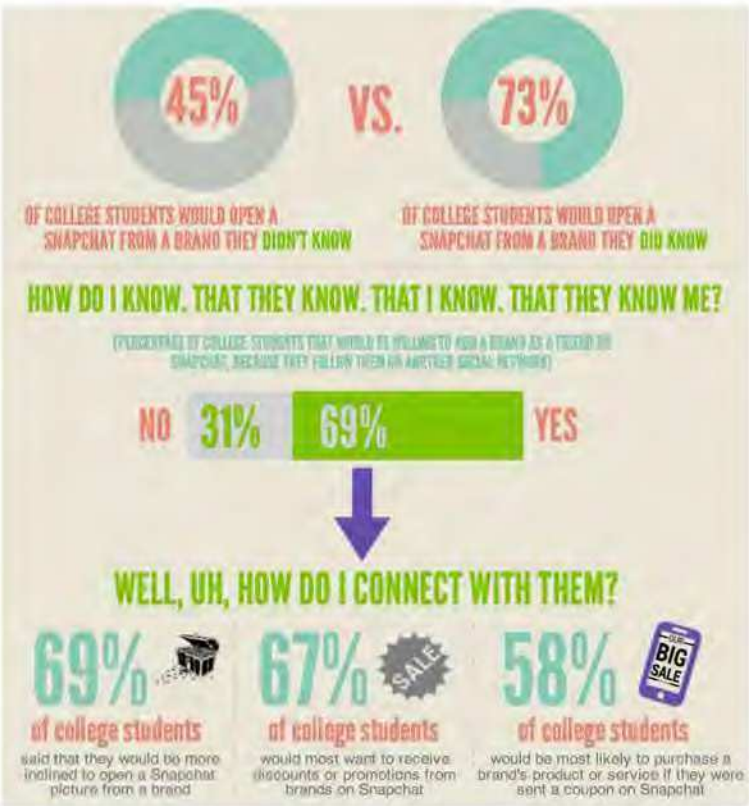


Source: BusinessInsider.com

## Snapchat Usage Statistics

Snapchat is the latest social media giant that raised its power for the last 6 years but the bulk of its user base was from 2014 to 2017. In Q1 2014 Snapchat total number of users was slightly over 40 million and the bulk of those users were in North America. By Q1 2015 the company doubled its user base to 80 million and by Q1 of this year it managed more than double its number of users and it reached 166 million.

*Snapchat daily active users worldwide, 2014-2017*



## Snapchat Has 173 Million Daily Users
Snapchat's daily active users, by user geography (in millions)

North America   Europe   Rest of the World

Source: *Statista*

When we look at Snapchat growth geographically in 2014-2016 period, we see the quickest user base expansion in North America, mostly in US, with 26 million people jumping on a new social media bandwagon back in the beginning of 2014 and 68 in the end of 2016. Europe has been having a slower growth rate, that began with only 14 million in early 2014 and went on 52 million in the end of the last year. The rest of the world is closing the race with 6 million people joining the social media site worldwide in the beginning of 2014 and 39 million in Q4 2016.

*Quarterly Daily Active Users, in millions, by region*
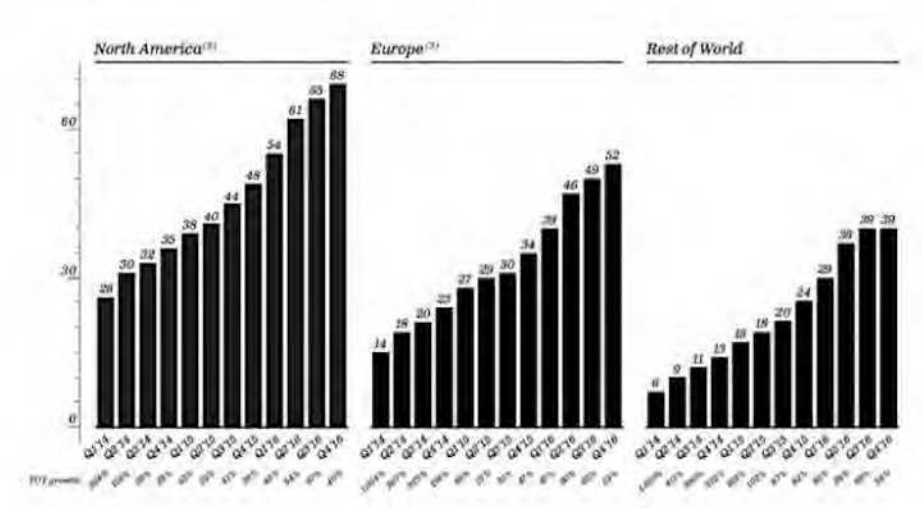


Source: *Snap, Inc. S-1 filing*

Certainly the most telling metric for Snapchat is the number of snaps that people send daily. In first quarter of 2017 this number gained 500 million snaps over 2.5 billion that snapchatters we're sending back in Q3 2016 and reached a whopping 3 billion snaps. To put this number in perspective, Twitter users send about 500 million tweets a day, on Facebook every minute 293,000 statuses are updated. and 136,000 photos are uploaded.

*Number of snaps sent daily, 2016-2017*

Source: *Statista*

## Snap Inc. Revenue

On March 2, 2017 Snap Inc. company, originally Snapchat, went public, 6 years since its inception in 2011. Slightly sooner than other social media giants such as Facebook that went public in 2012, 7 years after its launch in 2005 and Twitter, that went public in 2013 also 7 years after its inception in 2006. According to the Snap Inc. S-1 filing, in Q2 2017 company made net revenue $182 million, more than twice from $72 million in Q2 2016. The total revenue for 2016 was $404 million.

*Snap Inc. Reports Second Quarter 2017 Results*

| (Unaudited) | Three Months Ended June 30, | | Percent Change | Six Months Ended June 30, | | Percent Change |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | | 2017 | 2016 | |
| | (dollars in thousands) (NM = Not Meaningful) | | | (dollars in thousands) (NM = Not Meaningful) | | |
| Revenue | $ 181,671 | $ 71,798 | 153% | $ 331,319 | $ 110,596 | 200% |
| Net loss[1] | $ (443,093) | $ (115,894) | NM | $ (2,651,930) | $ (220,470) | NM |
| Adjusted EBITDA[2] | $ (193,990) | $ (105,171) | 85% | $ (382,233) | $ (198,355) | 93% |
| **Other Financial Highlights** | | | | | | |
| Cash, cash equivalents, and marketable securities | $ 2,797,596 | | | | | |
| Cash used in operating activities | $ (209,574) | $ (134,110) | | $ (364,571) | $ (226,651) | |
| Free Cash Flow[3] | $ (228,939) | $ (150,531) | | $ (401,929) | $ (255,524) | |
| Capital expenditure | $ (19,365) | $ (16,421) | | $ (37,358) | $ (28,873) | |

Source: *Snap Inc.*

## Snapchat vs. Instagram Statistics

The history of Snapchat app growth and development has been tightly intertwined with one of the Facebook assets that it purchased back in 2012 for $1 billion, namely – Instagram. Facebook team is notoriously famous for its ability to keep tabs close on any competitor that seriously threats its domination in social media. And so once Snapchat popularity took off, Facebook started routinely copy Snapchat features for Instagram to make sure its users won't switch to this newcomer. Over the years Instagram got many copycat features from Snapchat, such as Stories, Direct Messages, Filters and more. Let's look at the most distinctive feature that first appeared on Snapchat and than being copied for Instagram – "Stories".

## Stories

Snapchat, such as Stories, Direct Messages, Filters and more. Let's look at the most distinctive feature that first appeared on Snapchat and than being copied for Instagram – "Stories".

## Stories

Now let's look at penetration of both "Snapchat Stories" and "Instagram Stories" among 18-34 years old people. We see that Snapchat beats Instagram 2:1. Within the 7 hundred respondents questioned by YouGov, 45% prefer "Snapchat Stories", only 21% "Instagram Stories" and 34% of respondents had no preference and are OK with using either of the two. The caveat to this data is the size of the pool – only 706 people, which may not be statistically significant enough to draw a conclusion.

*Snapchat stories vs. Instagram Stories, 2017*

% of 18-34 year olds who use Snapchat Stories or Instagram Stories

Snapchat Stories        45%

No Preference        34%

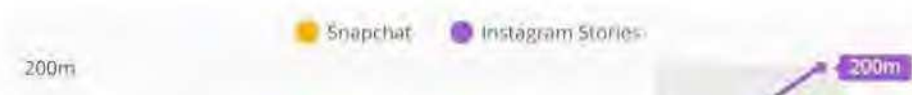Instagram Stories   21%
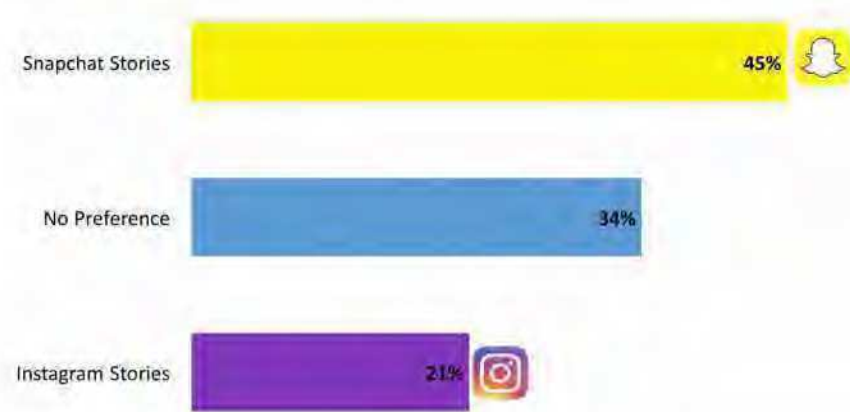
Note: n=706
Source: YouGov, September 2016

BI INTELLIGENCE

*Source: BusinessInsider*

Let's look at another metric, for which we do have a much greater data pool – DAU (stands for daily active users) of both Stories version on Snapchat and Instagram. Starting August 2016, when Instagram Stories were launched, we see initial steep growth from 0 to 100 million DAU within the next 2 months. Meanwhile during the same period Snapchat continued to grow on pretty much the same pace as it grew before Instagram launched its "Stories" copy, adding several million users a month. By April 2017 Instagram reported 200 million daily active users of its "Stories", while Snapchat presumably has only 160+ million. To understand this dynamic, we need to remember the size of the Facebook user base – 2 billion, vs. Snapchat user base – 173 million

and so no wonder that Instagram is capable to attract more users for its Stories than Snapchat does. It was only a matter of the right execution of this feature adaptation to the Instagram platform.

*Instagram Stories vs. Snapchat Stories Daily Active Users, 2016-2017*

● Snapchat        ● Instagram Stories

200m                                                200m

Instagram Stories vs. Snapchat Stories Daily Active Users, 2016-2017
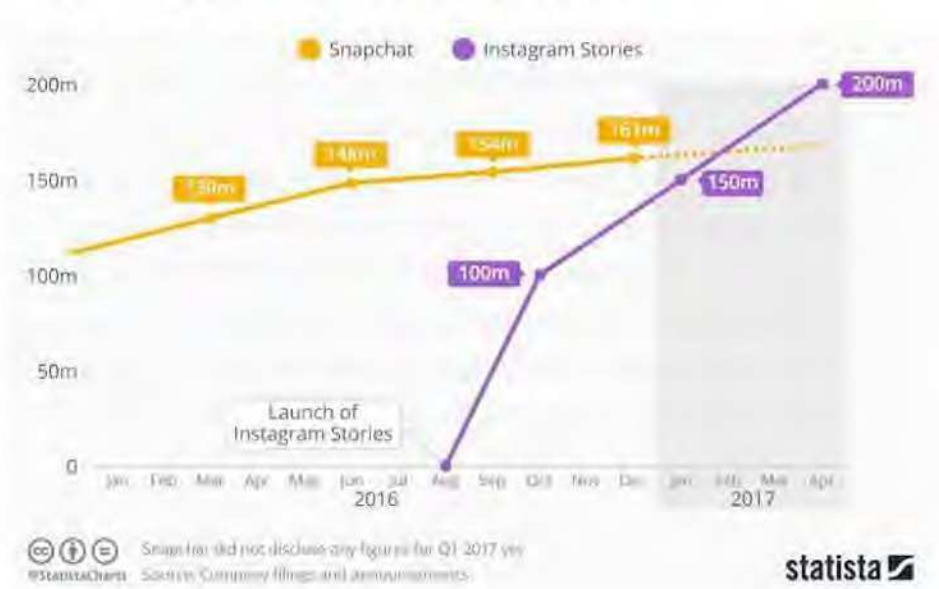
Source: Statista

## Final Thoughts

As for any major social media, or any big online company for that matter, the growth factor is crucial for Snapchat in a long run. If it reaches a plateau in its growth like Twitter did, it'll certainly upset the stock market. But on the other hand, if the Snapchat team will be consumed by worries about its stock valuation and not its users, it'll hurt it as well.

Perhaps the key to its growth and adoption worldwide are new technologies Snapchat has been experimenting with, like Spectacles it began to sell last year in limited quantities, recent Snapchat server-side feature that allows to stitch video snaps shot from different vantage points on some event to produce continues video footage that was impossible to produce before. As well as adding even more Augmented Reality features to the app, especially with the upcoming Apple's iOS 11 release this fall.

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# EXHIBIT 5

Internet › Social Media & User-Generated Content › Most popular social media sites used by U.S. teens and young adults 2017

# Reach of leading social media and networking sites used by teenagers and young adults in the United States as of February 2017

| Site | Percentage |
|------|------------|
| Snapchat | 79% |
| Facebook | 76% |
| Instagram | 73% |
| Twitter | 40% |
| Pinterest | 31% |
| Tumblr | 16% |
| WhatsApp | 15% |
| Musical.ly | 11% |
| LinkedIn | 9% |

Percentage of respondents

Data visualized by ✚ t a b l e a u

About this statistic

© Statista 2017

Show source
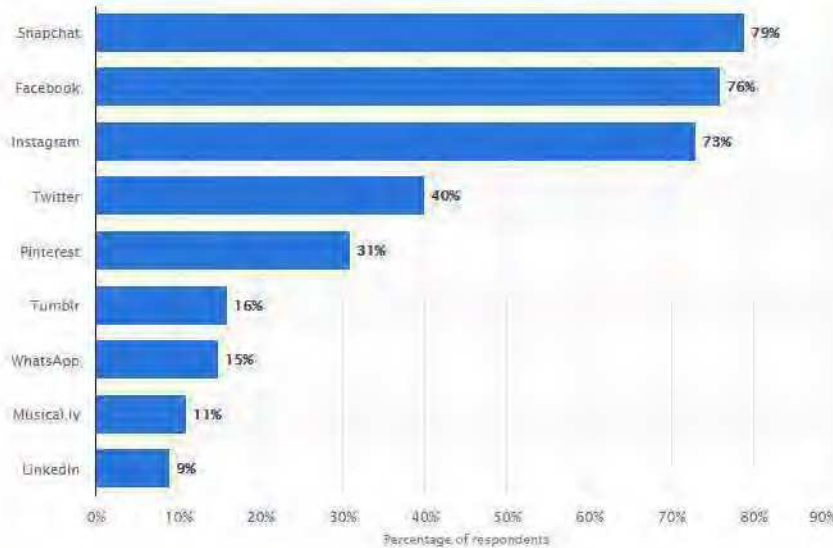
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**DESCRIPTION** SOURCE MORE INFORMATION

This statistic gives information on the most popular social media sites used by teenage and young adult internet users in the United States as of February 2017. During the survey period, it was found that 73 percent of responding internet users aged 13 to 24 used social photo sharing app Instagram. Despite Snapchat's dominance, Facebook continues to be one of the most popular social media and networking site used by teenagers and young adults, aged 12 to 24 years old in 2017. A total of 76 percent of respondents currently use Facebook, followed by Instagram use with a 79 percent share. Yet when teens, whose average age was 16, faced their measurement...

Show more ▼

Global social networks ranked by number of users 2017

Countries with the most Facebook users as of April 2017

Share of U.S. population who use social media 2008-2017

## Statistics on "Social media usage in the United States"

| Overview | The most important statistics |
|----------|-------------------------------|
| Leading websites | Global social networks ranked by number of users 2017 |
| Social media users | U.S. market share of leading social media websites 2016 |
| Social media activities | Unique visitors to leading social networks in the U.S. 2015 |

| Facebook | | Social networks with daily U.S. user engagement 2016 |
|---|---|---|
| Mobile social | | Share of U.S. internet users who use selected social networks 2012-2016 |
| Social commerce | | U.S. usage reach of leading social networks 2017, by age group |
| | | U.S. membership rates of leading social networks 2016, by ethnicity |
| | | Most popular social networks of U.S. teens 2016 |

**Related Studies:** Available to Download in PDF or PPTX Format

All information in one Presentation

• Internet usage of Millennials in the United States

### Internet usage of Millennials in the United States

81 page/s    English  |  PPTX

Detailed references

Everything On "Internet usage of Millennials in the United States" in One Document; Edited and Divided into Handy Chapters. Including Detailed References.
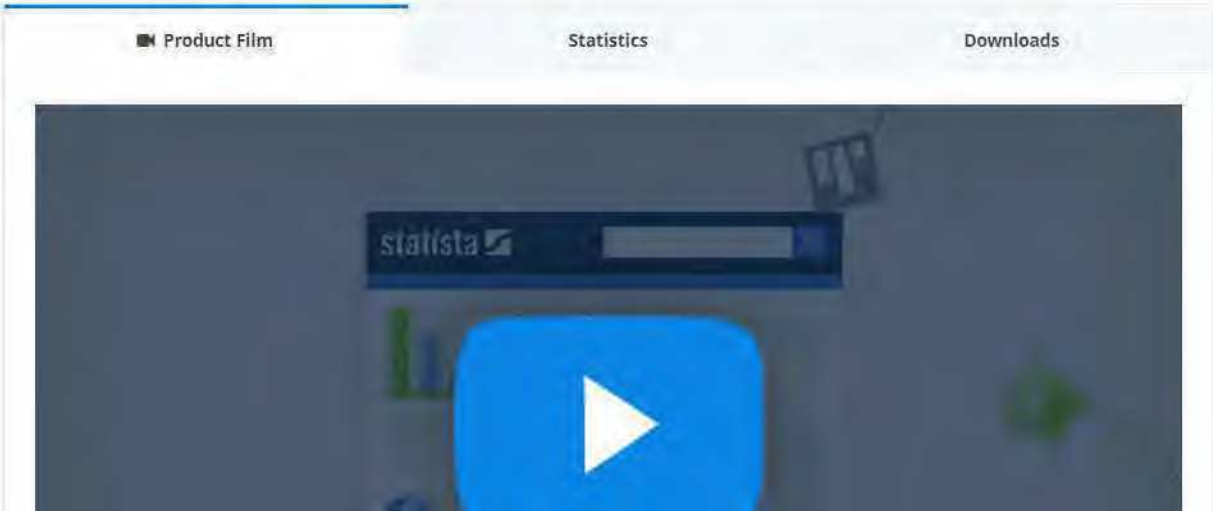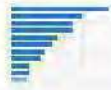
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|---|---|---|
| Snapchat | Twitter | Social media usage in the United States |

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## Further Content: Statistics, Studies, and Topic Pages

### Statistics

- U.S. teens: social networks and app DAU reach 2014-2016
- Global social networks ranked by number of users 2017
- Brazil: penetration of leading social networks 2017
- Preferred social networks of U.S. teens 2012-2017
- Active mobile social media penetration in Asian countries 2017
- Most popular social networks in Denmark 2017

### Topics

- Social media
- Smartphones
- Mobile app usage
- Internet usage worldwide
- Mobile internet usage worldwide
- Facebook
- Twitter
- Online video usage in the United States

### Studies

- Social media usage in the United Kingdom (UK)
- Mobile social media
- Social media usage in Spain
- Online recruiting and social media
- Social media usage in Finland
- Social media usage in the European Union (EU)
- Social media marketing in the U.S.
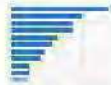
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- U.S. teens: social networks and app DAU reach 2014-2016
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**EXHIBIT 6**

# SNAP INC. Q3 2020 PREPARED REMARKS

**BETSY FRANK, SENIOR DIRECTOR, INVESTOR RELATIONS**

Thank you, and good afternoon, everyone. Welcome to Snap's Third Quarter 2020 Earnings Conference Call. With us today are Evan Spiegel, Chief Executive Officer and Co-Founder, Jeremi Gorman, Chief Business Officer, and Derek Andersen, Chief Financial Officer.

Earlier today we made a slide presentation available that provides an overview of our user and financial metrics for the third quarter 2020, which can be found on our Investor Relations website at investor.snap.com. Now I will cover the Safe Harbor. Today's call is to provide you with information regarding our third quarter 2020 performance in addition to our financial outlook. This conference call includes forward-looking statements. Any statement that refers to expectations, projections, guidance, or other characterizations of future events, including financial projections, future market conditions, or the impact of COVID-19 on our business and on the economy as a whole, is a forward-looking statement based on assumptions today.

Actual results may differ materially from those expressed in these forward-looking statements, and we make no obligation to update our disclosures. For more information about factors that may cause actual results to differ materially from forward-looking statements, please refer to the press release we issued today, as well as risks described in our quarterly report on Form 10-Q for the quarter ended June 30, 2020, particularly in the section titled Risk Factors. This information can be found in our other filings with the SEC, when available. Our commentary today will also include non-GAAP financial measures and we believe that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends. These measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

Reconciliations between GAAP and non-GAAP metrics for our reported results can be found in our press release issued today, a copy of which can be found on our Investor Relations website. Please note that when we discuss all of our expense figures they will exclude stock-based compensation and related payroll taxes as well as depreciation and amortization and non-recurring charges. At times in our prepared remarks, or in response to questions, we may offer additional metrics to provide greater insight into our business or our quarterly and annual results. This additional detail may be one-time in nature, and we may or may not provide an update in the future on these metrics. Please refer to our filings with the SEC to understand how we calculate our metrics.

With that, I'd like to turn the call over to Evan.

**EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER**

Hi everyone, and thank you for joining our call.

We added 11 million daily active users this quarter for a total of 249 million, up 4 percent quarter-over-quarter and 18 percent year-over-year, demonstrating the benefits of years of investment in our product and partnerships across a wide range of geographies. We generated $679 million in revenue this quarter, up 52 percent year-over-year, outperforming our expectations and highlighting the substantial value we drive to both direct response and brand advertisers during this continued period of uncertainty. Our year-over-year growth rates for both daily active users and revenue were higher this quarter than they were in Q3 of the prior year. In fact, they represent our highest Q3 growth rates since 2017.

Our success underscores the excitement that our community and our advertising partners have around our innovative products and services. The adoption of augmented reality has happened faster than we had previously imagined, and we feel well positioned to execute on the many opportunities that lie ahead.

Two years ago we transformed our business by relentlessly focusing our attention on delivering return on investment for advertisers and building new products and experiences to serve our community. The revenue and community growth we have generated as a result of these efforts has afforded us the opportunity to double down and innovate even more, especially around our camera and augmented reality platform.

The creative and technical teams at Snap have worked hard to support Lens Studio creators, and evolve our camera's capacity to entertain our community and help our partners grow their businesses. For example, this quarter we introduced more Lenses for try-on and commerce, with Sally Hansen creating AR trial and purchase for nail polish, and Champs doing the same for sneakers.

Snapchat community engagement is strong, as we continue to grow in new markets, broaden our product offerings, and improve our underlying infrastructure. This was our fourth consecutive quarter of more than 15 percent year-over-year daily active user growth. We also saw strong retention in our vast community, and we continue to reach over 90 percent of the Gen Z population and 75 percent of the Gen Z and Millennial population in countries like the US, the UK, and France.

One key driver of growth across all of our markets has been product innovation and infrastructure improvements. Following the successful rebuild of our Android application last year, we are rolling out a newly streamlined messaging infrastructure that we expect will make messaging faster and more efficient, which will help drive increased engagement, especially as we expand our community across different countries and devices.

These foundational investments in our core architecture have also enabled us to innovate faster and release new product features at a rapid pace. In the last year alone we launched Brand Profiles, Minis, Places on the Map, Dynamic Ads, Bidded AR Lenses, Dynamic Lenses, Camera Kit, Snap ML Lenses, and new creative tools - with lots more to come.

We are currently rolling out a new five-tab navigation bar for Snapchat, which allows us to deepen the product experience for our Map and Discover platforms. We're excited to make the Snap Map more visible to new Snapchatters and invest in a better content experience for Discover - especially as we broaden our content offerings across popular creators, and professional studios. Our ability to launch a large-scale fundamental product transformation like this quickly and without disruption to our business is evidence of the progress we've made. In fact, it was the first major update where we prototyped and launched on Android first due to the structural improvements we made to our Android application last year.

Our investments in Lens Studio continue to drive the growth of our augmented reality platform, and we are especially excited to see Lenses created by our community driving a majority of the year-over-year growth in daily Lens views. Our Lens Studio platform allows people all over the world to create rich AR experiences that highlight the broad range of cultures represented by our community. Some of these Lenses are used by Snapchatters across the world, while others are notable for their extraordinary regional engagement. For example, a university student in India created a Lens with a 'smoke flare' effect which went viral in India and Southeast Asia, garnering billions of views on Snapchat and even more on other social platforms. This demonstrates the impact of the creativity of our community, which empowers self-expression with augmented reality at a volume and scale we could never achieve on our own.

We've also continued to invest in the technology that underlies our AR platform to empower new experiences for our community. We drew on several years of technical investment and creative experience to launch a number of extremely popular Lenses this quarter. For example, our recently-launched Anime Lens uses our Snap ML technology to turn people into anime characters in real time and our community engaged with this Lens three billion times in its first week. As we push the envelope on what is possible in augmented reality with these new Lenses, we are even more excited to contribute these new learnings and capabilities to Lens Studio so our community can leverage them in their own creations.

Our content platform continues to mature following our investments in regionalized content and the expansion of our partnerships with both traditional media partners and newer mobile-focused content studios. Our premium Shows format continues to grow rapidly around the world, with time spent watching Shows increasing more than 50 percent this quarter compared to Q3 of last year. Our successful VS The World docuseries franchise launched its second season featuring Conor McGregor,

and has already reached 14 million viewers. Additionally, large media companies continue to find success bringing their top linear TV shows to Snapchat to reach our differentiated audience. Over 50 million Snapchatters watch content derived from TV on Snapchat each month on average, and this familiar programming has helped drive an 80 percent year-over-year increase in the average number of people watching Shows every day that are over the age of 35.

Additionally, as various sports leagues are resuming their seasons, our community has turned to Snap to watch the action. Last month, more than 40 percent of the US Gen Z population watched premium sports content on Snap. The NBA highlights channel saw over 20 percent more engagement so far this season than last year, and SportsCenter viewership on Snapchat increased by 80 percent from July to September.

We are also seeing dramatic growth in content engagement in markets like India, where Discover viewership grew nearly 50 percent quarter-over-quarter. Furthermore, in markets like France and the UK, young people turn to Discover as their destination for premium mobile content, with more than two thirds of the Gen Z and Millennial population in both markets watching premium content on Discover.

Finally, as our content business develops, we are also providing our partners with better monetization. This quarter, due to growth in Shows and improved monetization, we paid our partners 85 percent more than we did in Q3 of last year.

In addition to AR and content, we are also building new ways to empower creators, developers, brands, and others to improve the entire Snapchat experience for our community. For example, we have partnered with TurboVote to launch a Snap Mini to help our Gen Z and Millennial audience register for the upcoming US election. Over one million US users have signed up for the Mini, where they can get help registering to vote. According to Democracy Works, more than 50 percent are likely first-time voters.

Additionally, we are continuing to make early progress on our gaming platform by launching three new games this quarter. Many of our early developers are deepening their investment as they explore new genres, monetization models, and game types. For example, Mojiworks, developer of the popular 'Ready Chef Go', is doubling down on the Snap Games opportunity and exploring new genres like music and trivia. We have also been working hard to help our developers find financial success on our platform, and have more than doubled the revenue our developers are generating this quarter compared to Q3 last year.

As we look to the future, we believe that the fundamental changes we made to our products and business over the past two years have put us in a strong position to continue executing in a rapidly-evolving world. Our improvements to both our core product infrastructure and our internal team and

operations have enabled us to accelerate the velocity of our product innovation. Meanwhile, our deep investments in building a scalable advertising platform have allowed us to focus more of our attention on these big future opportunities. We are so excited about our progress in AR, content, and our growing platform, especially as we look to build on our momentum in these areas going forward.

Thanks again for joining the call. I'll hand it over to Jeremi to talk about our business.

**JEREMI GORMAN, CHIEF BUSINESS OFFICER**

Thank you Evan. We delivered strong results this quarter and we're even more excited about the opportunities ahead of us. In Q3, we generated total revenue of $679 million, an increase of 52 percent year-over-year. The strength in our business reflects the deliberate and structurally sound investments we have made in our ad platform, ad products, and team. We remained nimble and responded to the difficult and rapidly changing macro conditions by supporting our advertising partners in achieving their business goals. We saw the beginnings of a recovery from brand advertisers, and continued resilience from direct response advertisers, reinforcing our confidence in the long-term positioning of our business.

As brands and other organizations used this period of uncertainty as an opportunity to evaluate their advertising spend, we saw many brands look to align their marketing efforts with platforms who share their corporate values. This gave us an opportunity to engage with advertisers and agencies in real time to ensure that our existing partners as well as new prospects understood our offering in relation to our values. Our sales teams were able to hold many productive C-level conversations to discuss our brand safety positioning and privacy-by-design principles, which provided an opportunity for us to prove our efficacy and ability to scale. We implemented a strategy to ensure advertisers investing in Snap found early and sustained success on our platform as they scaled with us, and we believe that the customer service our teams provided, the alignment on our brand safety principles, and the strong ROI that our advertising partners achieved all contributed to our growth this quarter.

As businesses adapted and began to look for opportunities to increase their marketing budgets in Q3, we were pleased to see existing advertisers resume and even increase their budgets, as well as new advertisers allocate spend to drive real business value via our self-serve ad platform. The success we saw in our business in Q3 is the result of many long term investments we have made to improve our sales and marketing functions, drive ROI through measurement, relevance, and optimization, and build innovative ad experiences through video and AR. It was our continued focus on these three priorities— along with our unique reach and growing, global audience—which allowed us to accelerate our growth as more of the world opened up and brands returned to marketing.

Across all sectors and verticals, brands are leveraging our Millennial and Gen Z audience to reach new customers around the globe. In the US, UK, and France, we reach over 75 percent of 13-34 year olds,

and we are making progress on growing our reach in other priority markets. To help advertisers better understand the Snapchat Generation, in August we launched our first-ever, global business-to-business marketing campaign showcasing the values and behaviors that characterize our community. Through our research, we have substantiated that the Snapchat Generation is deeply purpose-driven. We found that over 80 percent of Snapchatters in the US believe they have a personal responsibility to create positive change in the world, and they are more likely than non-Snapchatters to buy from brands which support local communities. Overall, the B2B campaign was received positively by our advertising partners and has allowed our teams to engage more productively with marketing executives at leading consumer brands as we help businesses learn how to communicate with the Snapchat Generation.

We continued to add deep domain expertise under our verticalized sales model, allowing us to effectively serve advertisers of all types and sizes. This structure provided us with the flexibility to pivot resources this quarter to some of our fastest growing verticals including CPG, Streaming, Tech, Telco, Financial Services, and eCommerce. As an example, brands such as Pepsico, MGM, HiSmile, Starling Bank, and Depop as well as agency partners, Publicis and 360i, participated in our B2B marketing campaign where they provided testimonials around the positive results they achieved while partnering with our team. In addition, to support our partners through the pandemic and improve our marketing efforts, we launched Snap Focus, an online learning course for advertisers looking to create their first ad campaign on Snapchat, and Snap Connect, a new marketing program to educate global marketers about direct response advertising on Snapchat. Combined with our webinars and education sessions, our sales and marketing teams have continued to scale and serve our partners in this virtual environment.

We continue to invest heavily in ranking, optimization, and measurement in order to deliver measurable ROI for our advertising partners. It was our investments in our self-serve ad platform and our ability to service our customers during a challenging time that allowed us to onboard a record number of advertisers this quarter. Ultimately, all advertisers set their budgets based on performance, be it brand affinity, purchases, or app downloads, and we continue to prove the efficacy of our ad platform by helping our advertising partners achieve their goals.

eCommerce remains an exciting opportunity for us and we are doubling down on our efforts in this area. We are taking a holistic approach to eCommerce across sales, native commerce products, and ad tech—including our self-serve tools, lower-funnel optimization goals, and video ad formats. For example, last quarter we launched Dynamic Ads globally, which combine product catalogs with our optimization capabilities to reward advertisers who invest in our platform with ROI at scale, and we are already seeing strong adoption rates from Retail, CPG, Restaurant, and Gaming verticals, among others. More brands have pivoted in this direction, including Sephora investing in Dynamic Ads as a part of their long-term strategy, and Techstyle optimizing for their Fabletics Women's marketing campaign with pixel purchase optimizations.

The rise of mobile content consumption, especially on mobile-native premium formats, presents us with a growing opportunity. The first building block was Discover, our video content business which we launched in 2015. We continue to invest heavily in video advertising through Commercials—our non-skippable, full-screen video ad unit—and Snap Select, which enables buying of Commercials in pre-packaged, fixed-price, premium inventory. First Commercial, which gives advertisers a way to reserve the first Commercial a Snapchatter sees during a Show, is now available to all advertisers in our Ads Manager following our beta launch last quarter, and we have already seen many advertisers from different verticals invest in this format. For example, we saw Entertainment brands such as NBCUniversal's Peacock invest in our First Commercial format as the world shifted to direct-to-consumer viewership and theatrical releases were put on pause.

We believe augmented reality is the future of immersive customer experiences like try-on, catalog browsing, and showrooming. We invested heavily in our self-serve AR tools to provide advertisers with what they need to create, manage, and optimize an augmented reality campaign that drives measurable ROI. While this form of advertising is still nascent, we are encouraged by the early adoption we are seeing from advertisers. This quarter alone, we partnered with several leading consumer brands, such as Champs Sports, Clearly, Essie, Kohl's, Levi's, Jordan Brand, Sally Hansen, and Hoka One One, to leverage our AR and machine learning technologies to power virtual try-on experiences. While Dynamic Ads recommends items to Snapchatters based on their interests, AR try-on takes this a step further and allows Snapchatters to visualize the item in real life. For example, Clearly, an eyewear retailer, leveraged our sponsored AR Lenses to enable our community to try on different pairs of glasses, which resulted in 33 seconds of average playtime and a 5.3 percent share rate. Clearly was able to drive a full-funnel impact for their brand, achieving a 7 point lift in brand awareness and 5 point lift in brand consideration while also driving a 46 percent lift in unique page viewers on their site and a 3.3 percent lift in purchases.

Longer-term, we believe our Map represents an exciting opportunity to innovate and provide new experiences for our community and to grow revenue. We recently added Places to our Map, which helps people learn more about the businesses around them and view hours and store reviews. We also built a dedicated Local Ads objective to Ads Manager to ease the sign up flow for local businesses. Since its launch in July, we have been encouraged by the number of local businesses experimenting with the product. Though it's still early, building connections between our community and the places they visit will be instrumental in supporting local advertising in the future.

Our investments in our self-serve platform, verticalized sales teams, and engaging ad experiences provide the tools necessary for advertisers to reach our valuable community. While the foundation is in place, we have a huge opportunity to scale our business as we continue to demonstrate measurable ROI for our partners, educate businesses on our unique reach—all while leading the way with innovative, digital-first ad products. In particular, eCommerce remains a focus area as we look to build upon the

early momentum of our newer offerings. Longer-term, we believe Snapchatters will engage naturally with businesses of all sizes across our service, whether that be engaging with a brand's profile, finding store hours on the Map, or interacting with products using an AR Lens. Overall, this was a productive quarter for our business, and we look forward to building on our momentum as we progress toward our short-term and long-term opportunities.

And with that, I'll turn the call over to Derek.

**DEREK ANDERSEN, CHIEF FINANCIAL OFFICER**

Thanks Jeremi. Our Q3 financial results reflect our priorities of growing our community, making focused investments in the future of our business, and scaling our operations efficiently in order to drive towards profitability and positive free cash flow.

As Evan mentioned earlier, our community grew to 249 million daily active users in Q3, an increase of 39 million or 18 percent year-over-year, which exceeded our expectations entering the quarter and represents an acceleration over the prior quarter growth rate. The growth in our community continues to be broad based, with year-over-year and sequential growth on both iOS and Android platforms. In North America, DAU grew by 6 million or 7 percent year-over-year to reach 90 million. In Europe, DAU grew by 7 million or 10 percent to reach 72 million. In Rest of World, DAU grew by 26 million or 43 percent to reach 87 million. We believe Snapchat is a complement to real friendships, and the easing of COVID-19 related restrictions in many communities was a modest tail wind to engagement as we moved through Q3. We observed that restrictions were lifted earlier in Europe and this contributed in part to the higher growth rate in this region relative to North America. The acceleration of growth in Rest of World reflects the benefit of our ongoing investments to better serve our community including investments in local content, language support, marketing partnerships, the popularity of augmented reality Lenses created by our community, and changing competitive dynamics.

Total revenue for Q3 was $679 million, an increase of 52 percent year-over-year, representing a 35 percentage point acceleration over the prior quarter. We benefited from an operating environment that exceeded our expectations entering the quarter as many of the potential headwinds we noted on our last call did not fully materialize. In addition, the auditing of social media platforms by many advertisers and agencies, which occurred throughout the summer, was ultimately constructive towards building and expanding our relationships with many of these advertising partners. These favorable operating conditions led to rapid growth in demand from our brand advertising partners, that built on top of the already strong growth trajectory of our direct response business, and together contributed to record high active advertisers and revenues in the quarter. While we were pleasantly surprised by the favorable operating environment in Q3, we were not surprised by the growth we delivered under these conditions. We demonstrated early in Q1 that our platform is capable of delivering growth over 50

percent under more normal operating conditions, and we were pleased to see operating conditions significantly improve in Q3.

In North America, revenue grew 56 percent year-over-year in Q3, while ARPU grew 46 percent year-over-year. In Europe, revenue grew 49 percent year-over-year in Q3, while ARPU grew 36 percent year-over-year. The relatively higher rates of growth in North America and Europe in Q3 reflect the ramp in demand from brand advertisers beginning relatively earlier and stronger in these regions. In Rest of World, revenue grew 35 percent year-over-year in Q3, while ARPU declined 6 percent year-over-year as accelerating growth in DAU modestly outpaced growth in absolute advertising demand. Rest of World revenue growth accelerated by 21 percentage points over the prior quarter, as demand has begun to recover from the relatively more severe impact of COVID-19 related disruptions to demand in this region. As we noted previously, ARPU in Rest of World is best viewed as an output metric at this stage given the simultaneous rapid growth in our community and advertising demand.

We continue to see strong adoption of our ad products. Revenue from our Commercials ad product more than doubled year-over-year in Q3 as we continue to see building demand from advertisers seeking to reach Gen Z and Millennial audiences at scale, and with a full screen video advertising product that is delivered adjacent to brand safe content. In addition, our revenue from Camera products nearly doubled year-over-year in Q3 driven by strong adoption of our self-serve Reach and Frequency Lenses and Filters that offer brands an opportunity to interact with Snapchatters through engaging augmented reality experiences.

For the first time as a public company we observed a rise in overall eCPM in Q3 driven by a combination of mix shift towards higher eCPM products such as Commercials, as well as a rapid rise in overall demand. Average eCPM's increased 20 percent year-over-year, however, we believe our eCPM's remain well below market rates for our audiences and ad units. The ongoing growth of our community, as well as deepening engagement within our app, continues to add more inventory opportunity to our ecosystem over time. In addition, we continue to make improvements to our targeting and optimization capabilities that allow us to show more relevant ads to Snapchatters and utilize our inventory more efficiently. For example, while eCPM's for inventory monetized via Pixel Verified Purchases rose by 71 percent sequentially in Q3, the cost per purchase for our advertising partners rose by just 1 percent over the same period. Consequently, we believe that we will be able to deliver attractive returns on ad spend to our advertising partners as eCPM grows over the long term.

Gross margins were 58 percent in Q3, up 7 percentage points year-over-year. We continue to make significant progress against our goal of driving down our underlying infrastructure unit costs over time. In Q3, our efficiency improvements fully offset the year-over-year increase in user activity, resulting in infrastructure costs per DAU of $0.70. On the content side we have been doubling down on our investments in premium content and we were pleased to see that these investments drove a more than

50 percent year-over-year increase in total daily time spent watching Shows in Q3, which contributed to our ability to grow revenue, ARPU, and eCPM's at the rates we observed in Q3. The focus on scaling our infrastructure costs efficiently has allowed us to make these investments in premium content, while continuing to expand our gross margins, which reflects our overall approach of scaling our operations efficiently while making investments in the future of our business.

Operating expenses were $338 million in Q3, up 24 percent year-over-year, and in line with the estimates we shared on our prior call. Full time headcount grew at a rate roughly in line with the growth in operating expenses as we continued to make focused investments in our monetization and engineering teams. In addition, we continued to grow our investments in marketing in order to build on the momentum we have established with our advertising and Snapchatter communities. We continued to invest in the long term health of our business, even as the operating environment became more challenging earlier this year, and we believe that the growth we observed in our community and in our top line in Q3 have validated this approach.

Q3 marked our second quarter of Adjusted EBITDA profitability at $56 million for the quarter, an improvement of $99 million year-over-year, and $152 million over the prior quarter. In Q3, we delivered Adjusted EBITDA leverage of 42 percent as we continue to invest in the future of our business, while making progress towards profitability and positive free cash flow.

Net Income was negative $200 million in Q3, an improvement of $28 million over the prior year, and $126 million over the prior quarter. The year-over-year improvement in Net Income reflects the flow through of improved Adjusted EBITDA, offset by the impact of interest expense related to the convertible notes issued over the past year, and higher stock based compensation. While we have continued to grow our team, stock based compensation declined on a per capita basis in Q3 as our team continues to migrate towards sustainable and competitive compensation structures that we have put in place in the years following our IPO. Total fully diluted shares outstanding grew 4 percent year-over-year in Q3, flat from the prior quarter and down from 6 percent in the same quarter of last year. We consider careful management of our stock based compensation programs to be a key input to efficiently managing our fully diluted shares outstanding as we seek to build shareholder value over the long term.

Free Cash Flow for Q3 was negative $70 million, an improvement of $15 million year-over-year, primarily driven by the improvements in Adjusted EBITDA that were partially offset by changes in net working capital. We ended the quarter with $2.7 billion in cash and marketable securities, up from $2.3 billion in the prior year as the proceeds of convertible notes issued in Q2 more than offset the investments we have made to grow the business over the past year.

Similar to last quarter, we do not intend to provide financial guidance for Q4, but we do want to share some perspective on how we believe the quarter might unfold. While we have benefitted from an

improving operating environment in recent months, we are conscious that external factors, similar to those that produced more volatile operating conditions earlier this year, could emerge and impact our momentum. In addition, advertising demand in Q4 has historically been bolstered by the holiday season in the latter portion of the quarter, and it is not clear at this time whether that key source of advertising demand will materialize in the same way this year as in prior years. Assuming that the current favorable operating conditions persist, and that the holiday season materializes in line with what we have experienced in prior years, we believe that year-over-year revenue growth of 47 percent to 50 percent is attainable in Q4. On the expense side we intend to continue to invest in the long term growth of our business, and are currently contemplating incremental investments to double down on the momentum we have established. Consequently we expect that year-over-year expense growth is likely to be higher in Q4 than we have observed year to date.

While there is continued uncertainty about the macro operating environment, we are pleased with the strength of the underlying momentum we have established with our advertising partners, and we remain highly optimistic about the long term prospects for our business. In addition, we are pleased with the growth trends we have observed in our Snapchatter community and believe that momentum will continue into Q4 with DAU of approximately 257 million, implying year-over-year growth of approximately 18 percent, which is consistent with the growth rate observed in Q3. Thank you for joining our call today and we will now take your questions.

# EXHIBIT 7

# SNAP INC. Q4 AND FULL YEAR 2019 TRANSCRIPT

**OPERATOR**

Good afternoon, everyone, and welcome to Snap Inc.'s Fourth Quarter and Full Year 2019 Earnings Conference Call. At this time, all participants will be in a listen-only mode. After the prepared remarks, there will be a question and answer period. If you would like to ask a question during that time, please press star, then the number one on your telephone keypad. This call will be recorded.

Thank you very much. Mr. David Ometer of Investor Relations, you may begin your presentation.

**DAVID OMETER, INVESTOR RELATIONS**

Thank you, and good afternoon, everyone. Welcome to Snap's Fourth Quarter and Full Year 2019 Earnings Conference Call. With us today are Evan Spiegel, Chief Executive Officer and Co-Founder, Jeremi Gorman, Chief Business Officer, and Derek Andersen, Chief Financial Officer.

Earlier today we made a slide presentation available that provides an overview of our user and financial metrics for the fourth quarter and full year 2019, which can be found on our Investor Relations website at investor.snap.com. Now I will cover the Safe Harbor. Today's call is to provide you with information regarding our fourth quarter and full year 2019 performance in addition to our financial outlook. This conference call includes forward-looking statements. Any statement that refers to expectations, projections, guidance, or other characterizations of future events, including financial projections or future market conditions, is a forward-looking statement based on assumptions today.

Actual results may differ materially from those expressed in these forward-looking statements, and we make no obligation to update our disclosures. For more information about factors that may cause actual results to differ materially from forward-looking statements, please refer to the press release we issued today, as well as risks described in our quarterly report on Form 10-Q for the quarter ended September 30, 2019, particularly in the section titled Risk Factors. This information can be found in our other filings with the SEC, when available. Our commentary today will also include non-GAAP financial measures and we believe that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends. These measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

Reconciliations between GAAP and non-GAAP metrics for our reported results can be found in our press release issued today, a copy of which can be found on our Investor Relations website. Please note that when we discuss all of our expense figures they will exclude stock-based compensation and related

payroll taxes as well as depreciation and amortization and non-recurring charges. At times in our prepared remarks, or in response to questions, we may offer additional metrics to provide greater insight into our business or our quarterly and annual results. This additional detail may be one-time in nature, and we may or may not provide an update in the future on these metrics. Please refer to our filings with the SEC to understand how we calculate our metrics.

With that, I'd like to turn the call over to Evan.

**EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER**

Hello everyone, and thank you for joining our call.

2019 was a transformative year for Snap. We saw momentum across the board as we grew our community, accelerated our revenue growth, and made progress towards profitability and free cash flow. We continued the momentum we developed early in the year through the fourth quarter, and we are excited about growing our business into 2020 and beyond.

Our community grew to 218 million daily active users in Q4, we accelerated year-over-year revenue growth to 44 percent compared to 36 percent in Q4 of 2018, and we generated $42 million of Adjusted EBITDA. Throughout the course of 2019, we added 31 million daily active users, largely driven by investments in our core product and improvements to our Android application. Our full-year Adjusted EBITDA improved by 65 percent year-over-year, and we are working towards full-year Adjusted EBITDA profitability in 2020. The strength and momentum in our underlying business fundamentals gives us confidence in our long-term growth and profitability as we invest in growing our business for the future.

We've recently completed our 2020 strategic planning process and have aligned our teams and resources around our goals of supporting real friendships on Snapchat, expanding our service to a broader global community, investing in our AR and content platforms, and scaling revenue while achieving profitability in order to self-fund our investments in the future.

We have always believed that supporting real friendships and creating products to serve our community are core to building a long-term, sustainable business. On any given day, most people have something to share with their family and close friends, and using Snapchat allows them to communicate together in a way that is efficient and expressive. This means that our camera has become an important tool for maintaining relationships through visual communication and storytelling, creating a distinct competitive advantage for our company. Supporting daily self-expression, while harnessing the richness of visual communication, gives us a broad and unique long-term opportunity that will serve us well into the future.

Beyond empowering new ways of communicating visually, Snapchat allows our community to nurture close friendships, which plays a vital role in health and happiness. The growth of our Snapchat community underscores people's desire to communicate with one another through technology that feels natural and similar to face-to-face friendships. We want to build technology for humans that is supportive of the ways we have interacted for centuries, long before the creation of the smartphone.

Our fourth quarter engagement demonstrates the power of friendship and self-expression. As our community came together to celebrate the holidays on Snapchat, we saw more than 200 million Snapchatters creating Snaps on Christmas Eve and Christmas, sending an average of nearly 30 Snaps each. We are particularly excited to note that the number of people creating a Snap with our camera every day is growing faster year-over-year than our overall DAU growth, meaning that existing and new members of our community continue to use our camera frequently to express themselves. We are encouraged by the way Snapchatters worldwide have adopted visual communication, and we are excited to empower even more creativity by making it faster and easier to express yourself on Snapchat.

As we work to grow our community around the world, we believe that the best way to build a global business is to invest in products and partnerships that are locally relevant and reflect local culture, while reducing the barriers to using Snapchat. Visual communication is a high-bandwidth activity that can be burdensome in markets with limited and expensive cellular internet. We have now partnered with over 70 international carriers to help our community manage these costs, and our ongoing investments in the efficiency of our service helped cut Snapchat's median cellular data usage in half in the past six months. We are also working with local partners to provide content and AR experiences that are tailored to the diverse cultures of our community, and now offer hundreds of locally relevant international Discover channels, the majority of which were launched in 2019. Going forward, we will continue to invest in our team, technology, and partnerships to fully realize our vast opportunities for growth around the world.

Our content and augmented reality platforms have continued to grow and provide value to our community and partners. Discover, our curated content platform, has grown year-over-year in both reach and time spent, especially as content viewership continues to transition from linear television to mobile. We have dramatically expanded our product and content offerings through partnerships, including our Snap Original Shows. While our investments up to this point have been selective and measured, these Original Shows are already being watched by more than half of the US Gen Z population. This makes our Original Shows, ranging from early hits like the Dead Girls Detective Agency, now in its fourth season, to new franchises like our recently-launched "Vs the World" docuseries, some of the largest premium ad-supported titles for this audience. As we continue to increase our investments in Originals and other premium content offerings, we are excited to see Discover evolve into a top destination for mobile content consumption, with the number of people that

watch more than 15 minutes of premium Discover content every day growing by nearly 50 percent year-over-year.

We have also worked hard to provide value to our community through our camera with augmented reality. This year, we are focusing our efforts on expanding both the variety of Lens experiences available to our community and the value that augmented reality is able to deliver beyond entertainment and self-expression. For example, our growing Lens Studio platform is dramatically increasing the number of AR experiences available to our community, which in turn is driving more engagement on Snapchat. On New Year's Eve alone, more than 200 million Snapchatters engaged with augmented reality over 13 billion times, up over 50 percent from the prior year. Lens Studio contributed meaningfully to this increase, with more than 20 percent of the Lenses sent on New Year's Eve built and submitted by our community, compared to just 5 percent the year before. We've also made it easier to find and experiment with different AR experiences on Snapchat using Lens Explorer. In Q4 2019, five times as many people went to Lens Explorer to search and browse AR experiences every day when compared to Q4 2018, with more than 10 percent of our community using Lens Explorer every day on average. We are also excited to be working with partners to expand the value of our camera. Shazam has helped Snapchatters identify over one billion songs using our camera, and we are adding new partners like Photomath to help people learn how to solve math problems without using a calculator.

As we continue to scale our content and AR platforms, we are also making significant progress against many other long-term opportunities, including Snap Kit, Maps, and Games. While these newer offerings are at a much earlier stage than our content and AR platforms, we are excited by the engagement we are seeing from our community. Today, these platforms enable people to share a new song they discovered on Spotify, see what their friends are up to around the world, hang out and chat with a group of friends while playing games, and personalize their Fitbit workout routine and watch face with their Bitmoji. We can't wait to continue expanding these offerings across a wider variety of experiences for our community, some of which we will be announcing at our Snap Partner Summit in April.

Given the substantial long-term opportunities ahead, we are working hard to scale our revenue so that we are able to self-fund our investments in the future. We believe that our platform is still extremely under-monetized given our massive reach among a differentiated and growing community, the high levels of engagement on our service, and our proven advertising products that drive measurable ROI for our partners. This means that we have a large volume of high-quality advertising inventory and the potential to meaningfully increase our average revenue per user over time, even in advance of monetizing our longer-term investments like gaming, and maps. In 2020, we will continue to evolve our advertising products and go-to-market strategy for both performance and brand-oriented budgets.

We have started investing heavily in our ranking and optimization efforts this year to increase the scale and return on ad spend that we are able to deliver to performance advertisers. As these early investments are starting to bear fruit, we are getting better at increasing the value and relevance of each ad impression. Not only does this increase the return that our advertisers receive from their investment in our platform, but it can simultaneously reduce the number of impressions we show for a particular campaign. This frees up inventory for additional campaigns while improving the user experience by reducing the number of ads shown that are not relevant to a particular individual. As with any new technology platform, we expect ongoing improvements to be steady but incremental, and we plan to significantly increase our investment in product and engineering talent to build upon the gains we have made in this area.

Given our massive reach among young people, we also believe we have a strong value proposition for household brands that want to reach our audience at scale, but find it increasingly difficult to efficiently access our audience on linear television or other online platforms. We have seen early success with many brands, and believe there is a significant opportunity to scale their success across more advertisers, especially as television and desktop budgets represent three times the total mobile ad spend in the US, but advertisers are increasingly unable to reach our unique demographic on those platforms. Building trusted, long-term relationships and further developing our advertising solutions for specific verticals takes time, and we are investing in a multi-year strategy to address this massive opportunity.

We are focused on growing our revenue and achieving profitability so that we are able to accelerate both our near-term investments in our products and business as well as the realization of our long-term vision for the camera. We continue to see tremendous opportunity in defining what it means to be a modern camera company because the camera has seemingly infinite untapped potential. Historically it was difficult and expensive to create a photograph, and people used cameras infrequently to document and save treasured memories. The past decade brought smartphones with an internet-connected camera in everyone's pocket, empowering people to use cameras for daily communication, with over 1.3 trillion Snaps created on Snapchat in 2019. This decade promises to bring yet another revolution in terms of camera usage with augmented reality, as people begin to experience the world around them through Lenses that inspire creativity, provide real utility, and understand context in ways that have never before been possible.

I'll now turn the call over to Jeremi to discuss the progress we have made in growing our advertising business.

**JEREMI GORMAN, CHIEF BUSINESS OFFICER**

Thanks Evan.

We are so excited with the progress we made in 2019 and see significant opportunities for our business moving into 2020. Our teams are well aligned, enabling our business to grow revenue alongside our community through performance improvements on Android and iOS, world-class augmented reality experiences, and engaging made for mobile content.

Over 2019, we generated full year revenue of $1.7 billion dollars, an increase of 45 percent year-over-year, compared to 43 percent in 2018. In Q4 2019, we generated revenue of $561 million, an increase of 44 percent year-over-year, compared to 36 percent in Q4 2018. These results are a byproduct of the hard work being done across all teams at Snap, and validate decisions we've made around the structure of our sales teams and the products we have built for our advertisers and our community. As a result, we believe that we have the opportunity to continue growing annual revenue at a pace significantly faster than our peers.

We are fully focused on making progress against our ARPU opportunity, which we believe in the short to medium term will be largely driven by advertiser demand. We have significant headroom in our business given our high levels of engagement and ample supply of available impressions globally. As a result, we are focused on driving demand from advertisers to improve CPMs in our self-serve auction. Looking at our current ad products and applying comparative industry CPMs to our own inventory, we are in a position to meaningfully close the ARPU gap relative to our peers. In addition, not only does demand growth increase contestation in our auction, driving up CPMs, but it also increases the number of ads available to choose from for each impression, improving relevance per impression and ultimately yielding higher ROI for our advertising partners, even at increased prices.

To achieve our ARPU goals, we remain focused on our three key priorities: First, improving our measurement, ranking, and optimization to drive relevance and deliver ROI. Second, building out our sales and marketing functions to support the needs of our advertising partners globally. Third, creating innovative ad experiences around video and augmented reality that deliver real business value. Our three priorities—along with our growing, global audience—will allow us to drive performance at scale for businesses around the world.

Our business growth is enabled by our large, growing, unique, and unduplicated audience. For example, in the US, we reach more than 90 percent of 13 to 24 year-olds and more than 75 percent of 13 to 34 year-olds. In addition, our reach is expanding outside of the US as a result of ongoing product improvements that allow us to grow our business and community around the world. Our community engages with our service for over 30 minutes per day on average, and our advertisers have unparalleled

reach with the valuable 13-34 year old demographic that makes up the majority of Millennials and Gen Z.

Our first priority is investing heavily to improve our measurement, ranking, and optimization to drive relevance and deliver ROI. In 2019, our investments enabled performance advertisers to scale on our platform. For example, at the start of the quarter, our pixel purchase optimization goal comprised less than 5 percent of self-serve revenue. Over Black Friday and Cyber Monday, however, this optimization goal that allows advertisers to bid explicitly on a purchase activity on their website, grew to over 10 percent of self-serve revenue globally. We enter 2020 with multiple investments in Commerce from the past year ready to scale to new advertisers. Our self-serve tools, lower-funnel optimization goals, video ad formats, and advanced solutions—such as product catalogs and dynamic ads—work together to reward advertisers who invest in our platform with ROI at scale.

For example, Ralph Lauren started testing Dynamic Ads in October 2019, as product-based ad formats have been amongst the tactics that have worked for their business. After initial testing proved to be extremely successful, they increased investment by 3x in Q4 2019, during one of the most competitive times of the year for shoppers. This solution not only helped them drive relevance during the holiday period, but they've shared this will be a key performance driver throughout the course of the year.

Our second priority is to grow demand via better service for our advertising partners. As we continue to scale our advertising business across all geographies, we expect to build out teams in different verticals to support our rapidly growing ad business. This includes building a Global Partners team to work with our largest global advertisers to create seamless global planning, hiring more sales operations experts to continue to improve operational rigor in our sales teams and pipeline planning, and generally mature the ways our Sales organization operates as we scale over the coming years. We're encouraged by the early success with many of our verticals, most notably Tech, Restaurants, Entertainment, and CPG.

For example, PepsiCo's Mountain Dew looked to Snapchat to leverage our innovative ad products and drive sales for the Mountain Dew brand. Snapchat worked with Mountain Dew to run two campaigns for their DEWnited and VooDEW product lines. The DEWnited campaign leveraged Snap Ads and Filters to highlight the classic Mountain Dew logo, and helped drive incremental sales returns above PepsiCo norms primarily through a lift in household penetration. The VooDEW campaign leveraged Snap Ads and Lenses to target Halloween fans and candy buyers, which resulted in a significant lift in ad awareness and brand favorability for Mountain Dew's limited-time VooDEW product.

Our third priority is to continue to lead the way with innovative advertising products and services. As brands focus more on incremental reach and depth of engagement, rather than just clicks and impressions, more advertisers are employing innovative formats that drive real customer interactions. Snap is the ideal place for these brands, because our advertising products are built on the same foundation that makes our engaging consumer products successful. We continue to invest heavily in

innovative solutions that leverage our content and augmented reality platforms in order to drive better outcomes for advertisers and delight our Snapchat community.

Video is a top priority. For example, we started to scale Commercials—our six-second, non-skippable, full-screen video format—and Snap Select, which enables fixed CPM buying of Commercials in pre-packaged, premium inventory. Combining this engaging ad format and easy-to-buy model within premium content placements has seen early success with high quality brands.

Recently, we rolled out the capability for Snapchatters to engage more deeply with our Commercials product, and have already seen success stories. For Black Friday 2019, GOAT, the global platform for style, featured a week-long Black Friday raffle that included over 3,000 prizes, 35,000 sneakers and $10,000 in GOAT credit. They ran a Commercials campaign that swiped up to the promotion landing page which lead users to download the app. Snap accounted for 95 percent of all traffic to that landing page, and GOAT saw a cost per install of just 20 cents from Snapchatters downloading their app to participate in the Black Friday raffle. Amanda Sun, Senior User Acquisition Manager, said, "We'll continue to leverage Commercials annually with our Black Friday raffle, as well as with other similar campaigns to not only broaden awareness but to reach a highly engaged audience."

Long-term brand building on mobile remains a challenge for marketers and no one is better positioned to deliver solutions than Snap. We have a huge opportunity with our camera-first functionality and our Sponsored AR Lens formats. We are at the beginning of building out our AR ecosystem for brands and providing additional value beyond paid media. For example, this quarter we announced that McDonald's and Coca-Cola are the first brand partners to utilize our Scan camera search technology. Our Scan feature combines visual search and augmented reality by recognizing images through the Snap camera and providing AR lenses related to what the camera is focused on—in this case, the well-known logos of McDonald's and Coca-Cola. These initiatives complement our existing marketing campaigns and link digital content to the physical world.

Any brand can now utilize our Scan technology for free via Lens Studio, our public AR creation tool, and submit it to the Snapchat community. Turning physical products that are a part of Snapchatters' everyday lives into conversation starters through immersive AR is a unique way to connect with our audience and an important milestone for this technology. We believe we are poised to continue growing advertiser adoption of AR ad formats as augmented reality marketing becomes more widely adopted by businesses.

We are also seeing that when brands utilize a portfolio approach of combining Sponsored Augmented Reality Lenses with Snap Ads, they result in stronger ROI and lower costs per outcome. This is leading to brands deepening their investment with Snap over time.

For example, our partnership with MGM Resorts International started with brand-focused campaigns, including a Lens in Q4 2018 to launch their new Park MGM hotel in Las Vegas. This drove a 10pt lift in Ad Awareness and a 5pt lift in Consideration Intent. Given the upper funnel success they saw, they implemented the Snap Pixel and expanded into running direct response efforts to drive room bookings across their entire portfolio of properties using Snap Ads, Story Ads, and Collection Ads. These generated an 18x blended ROAS across all ad units. Most recently they came full circle by combining the best of their direct response learnings with Snapchat's augmented reality opportunity by applying AR for direct response to drive Park MGM and expanded portfolio bookings in Q3 2019. This activation drove ROAS in-line with direct response-focused Story Ads and Snap Ads units, proving augmented reality is an effective tactic for achieving cost-efficient room bookings.

We enter 2020 with a full-featured ad platform and a sales team structured to support our business. Looking forward, our strategy for growth is to continue to invest in new products and marketplace improvements to help advertisers scale, build focused relationships with brands and agencies across many of our verticals, and to improve our direct response products for performance-centric businesses. Based on the size of our audience, their levels of engagement across camera, content, and communication, and our overall opportunity in the growing digital advertising market, we are in a position to meaningfully close the ARPU gap relative to our peers.

Our team is incredibly excited about what the future holds for Snap and we look forward to growing and building deep relationships with our partners over the longer term.

With that, I'll turn the call over to Derek.

**DEREK ANDERSEN, CHIEF FINANCIAL OFFICER**

Thanks Jeremi. Our Q4 financial results reflect our priorities of making focused investments in the future of our business, and scaling our operations efficiently in order to drive towards profitability and positive free cash flow.

As Evan mentioned earlier, our community grew to 218 million daily active users in Q4 2019, which represents an increase of 31 million or 17 percent year-over-year. We are pleased to see that the year-over-year growth rate of our community accelerated from 13 percent in Q3 2019 to 17 percent in Q4 2019, and that the sequential growth in DAU exceeded our expectations entering the quarter. We continue to benefit from the cumulative impact of improvements we have made to our application, which are contributing to higher levels of engagement and the sustained retention of new Snapchatters.

The growth in our community continues to be broad based, with year-over-year and sequential growth on both iOS and Android platforms, as well as year-over-year and sequential growth across each of

North America, Europe, and Rest of World. As we are now lapping the period when DAU stabilized near the end of 2018, we are focusing once again on the year-over-year growth rates in DAU, which tend to better illustrate the underlying trends within the community compared to the sequential growth patterns that are often skewed by seasonality within regions. In North America, DAU grew by 7 million or 9 percent year-over-year, up from 5 million or 6 percent in the prior quarter. In Europe, DAU grew by 7 million or 12 percent year-over-year, up from 6 million or 9 percent in the prior quarter. In Rest of World, DAU grew by 17 million or 36 percent year-over-year, compared to 13 million or 28 percent in the prior quarter. We are pleased to see that a pattern of solid year-over-year growth has developed across all regions, and that the rates of year-over-year growth accelerated across all regions in the current quarter. We believe the accelerating growth of our community, in an increasingly competitive market for attention on mobile, clearly demonstrates the value of our differentiated platform.

We exceeded the top end of our guidance range in Q4 and generated total revenue of $561 million, an increase of 44 percent year-over-year. As expected, our rate of revenue growth decelerated versus the prior quarter reflecting a tougher comparison period in Q4 relative to recent prior quarters, and the impact of a shorter peak holiday period in the current year. Recent prior quarter growth rates have been elevated by the impact of growing always on demand for our goal based advertising products, which has helped to fill in valleys of demand within our self-serve auction ecosystem. We are now lapping the launch of our goal based advertising capabilities in the prior year, which resulted in a tougher comparison period this quarter relative to recent prior quarters. In addition, while we experienced elevated holiday driven ad spending throughout the period between Black Friday and Christmas, this window of time was approximately one week shorter in the current year compared to the prior year, and this factor also contributed to the deceleration in year-over-year revenue growth rates in the current quarter.

In North America, revenue grew 42 percent year-over-year in Q4, compared to 52 percent in Q3, while ARPU grew 31 percent year-over-year, compared to 43 percent in Q3. This relatively lower rate of growth in North America in Q4 reflects the impact of the shorter holiday period being concentrated in this region as well as the tougher comparison period. In Europe, revenue grew 47 percent year-over-year in Q4, compared to 36 percent in Q3, while ARPU grew 31 percent year-over-year compared to 24 percent in Q3. We were pleased to see European growth accelerate following the completion of our sales team re-organization in the prior quarter. In Rest of World, revenue grew 49 percent year-over-year in Q4, compared to 55 percent in Q3, while ARPU grew 9 percent year-over-year, compared to 21 percent in Q3. The deceleration in Rest of World revenue growth reflects the steep ramp in the prior year when Rest of World revenue grew 47 percent sequentially following the launch of more sophisticated goal-based-bidding capabilities. Our goal based advertising products gained traction quickly in the Rest of World region a year ago and helped to drive the growth of our always-on advertising business worldwide throughout the course of 2019.

We continue to see broad-based improvement in advertiser demand and strong adoption of our ad products including Story Ads revenue that doubled year-over-year in Q4, and Commercials ad revenue that more than tripled year-over-year in Q4. We continue to view the Camera as a significant long-term monetization opportunity and were pleased to see year-over-year revenue growth from AR Lenses and Filters accelerate by 21 percentage points in Q4, driven by strong adoption of our self-serve Reach and Frequency AR products and strong demand from advertisers seeking to build their presence in the carousel at key moments.

Total impressions doubled year-over-year in Q4 while cost per impression continued to stabilize with a year-over-year decline in eCPM of 24 percent in Q4, an improvement over the 27 percent decline observed in the prior quarter. The ongoing growth in engagement, combined with optimizations to our self-serve platform to utilize our inventory more efficiently, are driving continued expansion of our available supply, which allowed us to grow revenue 26 percent sequentially with just a 7 percent rise in yields over the same period.

Gross margins were 56 percent in Q4 2019, up 8 percentage points year-over-year and 5 percentage points sequentially, as we continue to focus on scaling our operations efficiently. Infrastructure costs per DAU were $0.72 in Q4, flat versus the prior year but up two cents sequentially reflecting seasonal trends in user activity. We continue to make significant progress against our goal of driving down our underlying unit costs over time, including the cost to deliver a Snap, the cost to deliver an impression, and other key drivers of infrastructure costs. In Q4, our efficiency improvements fully offset the year-over-year increase in user activity, resulting in flat cost per DAU year-over-year. On the content side we have been doubling down on our investments in premium content, and we are pleased to see these investments yield more than 50 Shows with monthly audiences of 10 million or greater in Q4, which contributes to our ability to grow Story Ads revenue and Commercial Ads revenue at the rapid rates noted earlier. The focus on scaling our infrastructure costs efficiently has allowed us to make these investments in premium content, while continuing to expand our gross margins, which reflects our overall approach of scaling our operations efficiently while making investments in the future of our business.

Operating expenses were $271 million in Q4 2019, up 14 percent year-over-year and flat sequentially. We shared last quarter that we intended to invest in the future of our business by growing our talent base and we have begun to do so. Full time headcount grew 11 percent year-over-year in Q4, with the growth in headcount focused on monetization and engineering, and this was the primary driver of our year-over-year operating expense growth. While there is typically a lag between investing in talent and improved output metrics, we are pleased with the momentum we are seeing from the investments we have made over the past year and expect to continue to invest productively in the growth of our business going forward.

Q4 marked our first quarter of Adjusted EBITDA profitability at $42 million for the quarter, an improvement of $93 million over the prior year, and $85 million over the prior quarter. Consistent with our prior guidance, this was the seventh consecutive quarter that we reported a year-over-year improvement in Adjusted EBITDA. In Q4, we delivered Adjusted EBITDA leverage of 54 percent, which as expected was down from 65 percent in the prior quarter as we continue to invest in the future of our business, while making progress towards profitability and positive free cash flow.

Net Income was negative $241 million in Q4, a decline of $49 million over the prior year, and $13 million over the prior quarter. The decline in Net Income largely reflects a one-time legal settlement, which offset the improvement in Adjusted EBITDA in the quarter.

Free Cash Flow for Q4 was negative $76 million, an improvement of $73 million year-over-year, and $8 million quarter-over-quarter, primarily driven by the improvements in Adjusted EBITDA that were partially offset by seasonal changes in net working capital between Q3 and Q4.

We ended the quarter with $2.1 billion in cash and marketable securities, down from $2.3 billion in the prior quarter, which largely reflects investments in working capital as well as cash investments related to M&A activity during the period.

As we look forward to Q1, we expect to continue to invest in the future of our business, to scale our operations efficiently, and to make additional progress towards full year profitability and positive free cash flow. To begin, I will share with you that our financial guidance for Q1 assumes DAU of 224 million to 225 million, implying year-over-year growth of 18 percent. For revenue, we are guiding to a range of between $450 million and $470 million for Q1, which includes the potential for modest acceleration in year-over-year revenue growth relative to Q4 at the higher end of the range. For Adjusted EBITDA in Q1, we are guiding to a range of between negative $90 million and negative $70 million with the sequential decline reflecting the seasonally higher revenue in Q4 and our plans to invest in the future of our business while continuing to achieve positive Adjusted EBITDA leverage.

Thank you for joining our call today and we will now take your questions.

**OPERATOR**

Thank you. That concludes the prepared remarks for today's earnings call, and we will now begin the question-and-answer session. To ask a question, you may press star, then one on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star, then two. In the interest of time, we ask that you please limit yourself to one question. After your initial question is asked, your line will be muted. At this time, we will now pause for a moment to assemble our roster.

Our first question comes from Ross Sandler of Barclays. Please go ahead.

**ROSS SANDLER, BARCLAYS**

Hey guys, just a question on revenue trajectory in 4Q and 1Q. Jeremi, you flagged how the ad load is pretty low and that there's plenty of available impressions on any given day, given the engagement here. So, the question is more on the demand side. How much of the growth that you're seeing in the fourth quarter, the 44%, is from new versus existing advertisers, and then, I guess, what's the team doing to increase the pace of onboarding new advertisers onto the platform?

Then, looking at the 1Q revenue range, Derek, you mentioned there's acceleration at the high end. We can all see that. So, I guess, what's giving you the confidence that the revenue growth is going to pick up in 1Q? Thank you.

**JEREMI GORMAN, CHIEF BUSINESS OFFICER**

Thanks for the question, Ross. A couple different things. From the advertiser count perspective, as we don't break it out specifically, we are continuing to see strong demand for down-funnel bid optimizations, such as app install, and then increased demand for our premium ad units for brand advertisers, like Commercials and AR. Our advertisers are generally retaining well and increasing their spend, as we continue to demonstrate meaningful ROI, which is really critical in terms of advertiser growth.

I'm pleased to let you know that in Q4 of 2019, we did have our highest number of active advertisers ever, and there's still a lot of room to grow there. We have a lot of opportunity to get new advertisers, primarily through education of the market through our sales teams, and our work with our agency partners, as well. In addition, in Q4, we started a deliberate approach to buying B2B marketing, to reach the media planning community, and that's still early days, but we really like what we're seeing.

So, all in, we continue to deliver ROI. We're really, really focused on the market, ensuring that we bring the best solutions to them, and have the right products to continue to grow the advertiser base.

**DEREK ANDERSEN, CHIEF FINANCIAL OFFICER**

It's Derek speaking, and thanks for the question, Ross. I'll take the second half of it, with respect to the Q1 guide. You know, I think a couple things. One, when I look at the growth rate in Q4—obviously, we pointed out some one-time factors there that are impacting the revenue around the timing of the holiday season, and whatnot. One of the things, I think, when we think about the revenue going forward, we're really confident in the trajectory of the business, fundamentally, for all of the reasons that Jeremi just mentioned.

In terms of our personality around guiding, we want to make sure that we're factoring into our range not only the things that we're optimistic about or that we're seeing materializing in the business, but

also the potential for some risks to materialize in the environment. Our guide tries to reflect both the momentum we see in our business and the confidence we have about our long-term trajectory, but also the potential for risks to materialize throughout the course of the quarter.

Hopefully, that gives you a little bit of a sense of why we point a little bit optimistically to the higher end of the range and the potential for us to bounce off that Q4 number.

**OPERATOR**

Our next question is from Michael Levine of Pivotal Research Group. Please go ahead.

**MICHAEL LEVINE, PIVOTAL RESEARCH GROUP**

Thanks for the question, guys. I wanted to understand how big of a driver for 2019, and conceivably in Q4, native direct-to-consumer advertising has been for the business. It's definitely a question we get a lot of inbounds from investors.

**JEREMI GORMAN, CHIEF BUSINESS OFFICER**

Thanks for the question, Michael. I would say that we're very, very fortunate to have both a strong brand-based business and a strong DR-based business, so we're not concerned, relative to the fact that we have that diversification and a suite of products that's meant to serve advertisers of all types. We love what we're seeing in the verticalization efforts and that broad-based swath of success across verticals, like entertainment, tech, CPG, and more. We are not as heavily reliant on that D2C group, because we have products and services that are as diversified as possible.

**OPERATOR**

Our next question comes from Heath Terry of Goldman Sachs. Please go ahead.

**HEATH TERRY, GOLDMAN SACHS**

Great, thank you. When you look at the improvements that you're seeing in ARPU in the quarter, how would you disaggregate that between usage and monetization? There was a lot of great detail about monetization in the prepared remarks, but can you quantify the contribution from the investments that you're making in advertising technology, better targeting, and measurement, and are there specific components in that ad tech that you'd call out as contributing, whether it's specific ad formats or specific tools that you're seeing advertisers use?

Then, just when you mentioned that ARPU gap in the transcript, can you quantify what you see as the right measurement of that gap between sort of where you are and who you're using—not necessarily who, but the level that you're using as the benchmark?

**DEREK ANDERSEN, CHIEF FINANCIAL OFFICER**

Hi Heath, it's Derek speaking, and thanks for the question. There's sort of two components there. I'll take them in reverse order. The first one was just about the ARPU gap and what gap are we trying to close. I think, when we think about our ARPU opportunity near term and longer term, we're really looking at the audience we have, the engagement we have, the ad products that we have today, and the yields that we see in the marketplace for the inventory that we have. What we're really excited about is the opportunity to just continue to drive demand into our ecosystem and get market-based eCPMs and yields for the inventory and the audience that we have. So, we're trying to drive towards that.

Of course, we look at our peers in the marketplace in near term, like a Twitter, which we think is a benchmark we want to drive towards, and obviously we've got opportunity to go beyond that, and that's where we get into some of the discussion about how excited we are about the improving engagement on the user side.

We pointed in some of the prepared remarks and highlights that the growth that we're seeing in engagement on Discover, with the time spent being up there, growing our engagement with premium Shows, and, in general, the health of the ecosystem. And of course, when we see the growth in our DAUs accelerating year-over-year versus the prior quarter, all of that just adds to our opportunity. So, when we think about closing the gap, that's the kind of stuff we're looking at.

Then, to your other question, which is how much of the ARPU growth is being driven by usage versus say, optimization, I think at this point, because we are not supply-constrained, we're looking at predominantly just trying to build absolute demand into the ecosystem, and so what you see, when we're able to improve our optimization and serve the right ad to the right user at the right moment, and we can bring more diversity of advertisers into the ecosystem, that just allows us to use our inventory more efficiently and it takes some of the pressure off yields, which is great for our advertising customers who benefit from really low yields in the ecosystem today because we are not supply-constrained.

So, that's how we see the marketplace yielding out, and hopefully that gives a little bit more color to your question there.

**OPERATOR**

Our next question comes from Mark Mahaney of RBC. Please go ahead.

**MARK MAHANEY, RBC CAPITAL MARKETS**

Okay, two questions, please. One, Evan, a quarter or two ago, you called out the impact, particularly, of some of the new features on the gender filters, on the DAU growth, and this last quarter you had this nice innovation in terms of Cameos. Was it just not as material, so there wasn't a need to call it out, if you'll talk about that?

Then, you talked about a full year EBITDA profitability, but, Derek, you didn't mention that at the end, so just is that a goal, is that—not wishful thinking, but is that like a nice-to-have-goal, or is that actually you're trying to run the business to generate full year profitability, if one or two of you will address that? Thank you.

**EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER**

Hi, Mark. Yes, a lot of exciting innovation for us, Cameos included. It's very early for Cameos. They are a part of our Chat service. So, I think, over time, as more and more members of our community discover Cameos, they'll get really excited about them, and I think that has a lot of potential to drive growth in the future.

But I think one of the really interesting things that's happening in our business is that as we start turning our products into platforms—for example, whether that's our content business or augmented reality business—we see a lot of opportunity for durable innovation. One of the things we're seeing on the augmented reality side is the community-created Lenses are really growing in engagement and popularity, and what's great about that is that we don't have to come up with all the ideas here at Snap, our community is coming up with great ideas every day, and they're actually building them and then sharing them with everyone, and that's driving a lot of recurring engagement and growth for us, and so we're excited about that going into the future.

**DEREK ANDERSEN, CHIEF FINANCIAL OFFICER**

Then, Mark, thanks for the question, and obviously, on the full year profitability side, look, obviously, Evan and I are a thousand percent aligned. This is an objective for the company. We don't guide beyond the current quarter, but, as you can see, we've been investing in the company in order to accelerate our revenue growth, try to close these ARPU gaps faster. And as we pour those investments on, we liked the returns that we're seeing, and so we're driving the scale in the business in order to make that possible. So, it's obviously an objective that the entire Leadership Team is pushing towards. We just don't guide beyond the current quarter and that's why you don't see me talking to it in my section there.

**OPERATOR**

Our next question comes from Rich Greenfield of LightShed Partners. Please go ahead.

**RICH GREENFIELD, LIGHTSHED**

Hi, and thanks for taking the questions. I guess, just kind of maybe to start with, for Evan, kind of philosophical. I think if you looked back a year ago, kind of the quality of Discover was something we spent a lot of time harping on, and I think if you look a year forward, you've made a lot of progress in improving the quality of the content that's there. But I'm just wondering, as you think about the tension between what the algorithm wants to suggest to drive the most clicks versus improving the quality, how does that battle take place at Snap every day, and is some of it—what we're seeing in terms of revenue growth or ARPU growth—is part of it constrained, in that you're improving the quality of the experience and it takes time to onboard all the advertisers to benefit from the improvement in quality?

Then, just kind of a follow-up to the question that was asked earlier about the number of advertisers. Facebook disclosed, I think, over 8 million advertisers now, up from 7 million. Jeremi, is it fair to say that you're still in the hundreds of thousands of advertisers? I guess the biggest single question that everyone is thinking about is, is that the single greatest driver of closing the gap, is just bringing on more advertisers to build up competition in the auction? Is that what gets you 50-60 percent revenue growth, relative to where you are now? Thanks.

**EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER**

Thanks for the questions, Rich. We're really excited about the momentum we're seeing on the content side of the business and I think there's still a lot of room to improve the service. There's going to be some announcements we're making later this year around new innovations, to that effect. I think that tension is always going to be there, but one of the really unique things about Snap is that all of that content in Discover is curated, and so we're really defining the pool of content that's served to our community. And that's how we try to get the right balance between content that's really relevant, but also content that's high quality. I think that's sort of the right trade-off to make for now, but we're doing some experimentation around merchandising, things like our Shows, more effectively. You see that if you swipe over from Discover, one page over, we're doing a lot of experimentation there, and we're learning a lot. We hope to bring some of those learnings more broadly to our community as we go forward.

**JEREMI GORMAN, CHIEF BUSINESS OFFICER**

Then, I'll take the second part of your question, Rich. Yes, absolutely, definitively, advertiser count is the single best way to grow demand, including onboarding new advertisers of all types. We have products for all of them and we are very comfortable with how we're onboarding those, but tons and

tons of opportunity ahead. We do have fewer than 8 million advertisers, but a lot of headroom to grow. We have the supply to do it and the products to do it and bring on advertisers of all types. So, yes, that is where we are myopically focused on the sales team, to ensure that we have a breadth of advertisers to close the ARPU gap relative to our peer set.

**OPERATOR**

Our next question comes from Doug Anmuth of JP Morgan. Please go ahead.

**DOUG ANMUTH, J.P. MORGAN**

Thanks for taking the question. I just want to follow up on Discover, Evan. You talked about the 35 percent increase in time spent, and more than that among users 25 plus. Can Discover help Snap age up more over time here? Then, can you just talk more about what the shift in usage toward Discover means for monetization and closing that ARPU gap? Thanks.

**EVAN SPIEGEL, CHIEF EXECUTIVE OFFICER AND CO-FOUNDER**

Well, at a high level, there are really interesting shifts happening in content consumption overall, as you know, as the viewing behavior moves from linear television to mobile content consumption. And I think the content offerings, really, across the board have not caught up to this behavioral shift, and that's why we see so much opportunity here and why we're continuing to invest in creating new shows, creating new content types, because we see so much demand from our community.

That behavior shift, I think happened first with young people, and it's increasingly happening with older folks, as well, and we're excited about the growth that we're seeing there. I do think it plays an important role in closing the ARPU gap, but, frankly, the ARPU opportunity is so broad at Snap. Given the current level of advertiser demand and the amount of inventory that's available, I think we'd have to grow something north of 50 percent full year revenue for several years just to get close to a Twitter level of ARPU. So, we're very focused on accelerating revenue growth, which we think is possible.

**OPERATOR**

Our next question comes from Justin Post of Bank of America Merrill Lynch. Please go ahead.

**JUSTIN POST, BANK OF AMERICA MERRILL LYNCH**

Great, a couple questions. First, you are guiding to possible acceleration in Q1. I know the comps get tougher both on DAUs and revenue growth as the year progresses. How do you feel about the year and your revenue initiatives, and just kind of the setup for the year, if you can help with that at all?

Then, secondly, I thought it was interesting that your revenue share costs were up 49 percent year-over-year, but your Commercials, I guess, were up 3x. So, maybe you could just help us a little bit about the gross margins of the Discover business, if those are really attractive to you, and the operating margins there? Thank you.

**DEREK ANDERSEN, CHIEF FINANCIAL OFFICER**

Hey Justin, it's Derek speaking, and thanks for the questions. In terms of a setup for the year on revenue, and just our momentum heading into it, I think we've really been focused on our long-term opportunity. Both Evan and I have touched on it here today, around the longer term ARPU opportunity. We've been investing in the business in a lot of different ways around monetization, in terms of our sales teams, the engineers that support those teams on optimization, and then, of course, in the product. And so, we feel like we've been putting the inputs into the business in order to sets ourselves up. I think we are really pleased with the momentum we're seeing in the business and the absolute revenue growth opportunity there. You're going to see us continue to invest in the business in order to make it possible to close that gap faster.

In terms of the scaling on cost of revenue, there's really three big components of the cost structure there. Obviously, infrastructure, which you can see separately, and then, of course, the content side, and then, of course, serving costs on ads. When I think about scaling there, we do report that within revenue share, so it probably gives you a little bit of a sense of the structure of a lot of that cost, but we're also investing in our own shows, in our own content. Some of that structure is a little bit different and scales, frankly, quite well for us, as our audience grows and as the engagement grows, and so that also contributes to our ability to expand our margins as we scale the business. You're seeing a really good flow-through there. The eight-percentage-point expansion is really healthy, and we expect that we can continue to scale efficiently. Having that infrastructure cost number get more efficient on a unit cost basis over time really opens it up for us to invest in the future of the business on the content side, which expands our monetization opportunity, while still growing those margins. That cost structure has been working nicely for us and we're going to stay focused on being operationally efficient, so we can make those investments.

**OPERATOR**

Our next question comes from Steven Ju of Credit Suisse. Please go ahead.

**STEPHEN JU, CREDIT SUISSE**

Thank you. Evan, some of the RoW regions have lower GDP per capita, so your ARPU may ultimately be lower, but would you say that the cost to serve in those regions may be that much lower, as well, given the data cost constraints you called out, and the use case for the app might be different?

Derek, your DSOs are down every quarter this year, relative to the prior year, so can you talk about the shift in mix between revenue that is more self-service versus agency-driven, and ultimately where that DSO can ultimately go as the advertiser base continues to shift? Thanks.

**DEREK ANDERSEN, CHIEF FINANCIAL OFFICER**

Hi, Stephen, thanks for the questions. To the first one, in terms of us managing our infrastructure cost per DAU, and any of the long term around the cost per DAU by region, relative to ARPU, obviously, we've got a lot of opportunity to grow ARPU, as we've been talking about. And we've been able to grow ARPU much faster than our cost per DAU. You can see that this quarter with the growth in revenue and flat cost per DAU. That's allowing us to expand our efficiency, overall, in our margin.

Typically, as you're thinking through the cost of infrastructure, user engagement is obviously a driver, the cost to deliver impressions are also a factor, and, of course, it's going to vary based on user engagement. It's going to vary based a little bit on ARPU because of the impressions being a component of that. Generally speaking, there's some alignment there between your ARPU and your cost per DAU when you look at different regions, and so that helps you a little bit as you've got your ARPU varying by country. Importantly, we're getting better and better at managing those costs and getting them scaled appropriately. That's been working pretty well for us, and I think you can see that coming through in the margins. Even as our Rest of World DAU's been growing a little faster than our more mature markets, the margins have still been expanding. I think you can see that coming through in the outputs.

In terms of DSO, yes, we've put a lot of attention on just scaling our business efficiently and making sure that we're managing our DSO efficiently, and working capital, making sure it scales well. Obviously, Q4 working capital was a drain quarter-over-quarter. Seasonally higher revenues, we've got to collect those in. But, generally speaking, we've been able to expand the working capital structure pretty efficiently over the course of the last year, and you can see that starting to come through in the output.

**OPERATOR**

Our next question comes from Eric Sheridan of UBS. Please go ahead.

**ERIC SHERIDAN, UBS**

Thanks. Maybe two topics, if I can. On the shorter holiday period there, I just wanted to know if you could quantify how that might have impacted Q4, and whether that outperformed or under-performed versus your expectations that we knew the calendar was going to be less days?

Then, the always-on-demand, and thinking about the valleys built into the self-serve auction, you're calling that out as a headwind in Q4. Looking back over Q1 to Q3 of '19, as we look at year-on-year comparisons going forward, are there any comparisons we should be aware of that create either tougher comps or easier comps now, as we look forward over the next couple of quarters, that we should be aware of, just versus the way you'll be communicating on the business going forward? Thanks so much.

**DEREK ANDERSEN, CHIEF FINANCIAL OFFICER**

Hi, Eric, thanks for the questions. Yes, shorter holiday period, I mean, the way I think about that is I look at the revenue through the quarter. Similar to what we've seen in prior years, we saw elevated holiday spending in the period between Black Friday and Christmas. That period is just a little shorter for us. One of the things that's really important to understand about our business is, because we're not supply-constrained, we're more sensitive to fluctuations in demand. Whereas other platforms, if you're more dense, when you have that kind of demand fluctuate in, it's going to trade off against yield a little bit more. The expectations that we had for that impact in Q4 pretty much lined up with what we saw, so it was as expected, which is why you saw us come in real close to our guide.

Then, in terms of the impact of the always-on going forward. For sure, we saw the business accelerate throughout the course of 2019, and, of course, that just makes the expectations higher, but as we were seeing our business improve over the course of 2019, we were investing in the business, and you can see that, where we were investing in our Sales Teams, in our Engineering and Product organizations that support the business overall, and content, and so on, and so as our business has improved, we've been investing in the business. Typically, you'll see a lag effect between the investments that you put into the business and the monetization that results from of all of that. We're pleased with the early results that we're seeing from those investments and we're doubling down on what's working. That's what's making us optimistic about our ability to realize our ARPU opportunity as we move forward, because of those investments, you know, appear to be looking good.

Thanks for the question. I hope that helps to illustrate.

**OPERATOR**

Our last question will come from Brian Nowak of Morgan Stanley. Please go ahead.

**BRIAN NOWAK, MORGAN STANLEY**

Great. Thanks for taking my questions, I have two. The first one—Jeremi, I appreciate the detail on your key strategic priorities. I guess, sitting in your seat now, what do you think are sort of one or two of the most important aspects to really improve, to improve the direct response advertiser adoption and the

pace at which DR dollars can flow over the platform? What's the biggest area of friction you need to improve in 2020?

Then, the second one, for Derek. I thought it was interesting to hear sort of your guidance philosophy, where you're sort of assuming some risks for the upside and downside. Just as we're thinking about the first quarter guide, maybe talk us through some of the potential risks to the downside that are incorporated into the guide, that could perhaps go better or worse? Thanks.

**JEREMI GORMAN, CHIEF BUSINESS OFFICER**

Thanks for the question, Brian. We are absolutely focused on optimization and ranking, alongside improvements to our advertising tools and products for our more sophisticated advertisers. There are not a lot of huge hurdles remaining in the business. I think we're structurally sound, but I think really importantly, one of the things is that advertisers really just want us to win, they want us to succeed. They want options, they are looking for brand-safe environments for their messages. They want to reach Gen Z and Millennials, where they're forming lifelong habits. They want performant media, they want video and they want creative canvases. And we have all of those things. So, I think, in terms of fundamentals, we have everything we need in the building to reaccelerate revenue, and we're extremely optimistic about our ability to do that, and so we're looking forward to a great 2020.

**DEREK ANDERSEN, CHIEF FINANCIAL OFFICER**

Brian, it's Derek speaking, and thanks for the question. The Q1 guide, I think, when you're thinking about risks and opportunities, a lot of that really comes down to our execution and how quickly we can capitalize on our opportunity. Obviously, we talk about keys to growth being bringing more and new demand into the platform, diversifying our advertisers, and continuing to deliver optimizations that allow us to use our inventory more effectively and deliver ROI for our advertisers. That's really the focus, and how quickly we can execute on that and how quickly our customers react to the ROI that they're seeing.

We're really excited about our opportunity and the momentum we have in the business, and we're trying to give you a good estimate of where we think things can come out. Obviously, when you're growing at the rates we are, there's a little bit of a range around what that possibly is. We're trying to deliver in the short term, but also keep our eye really focused on investing for the long term, so that we're accelerating the business to capture the longer term opportunity as quickly as we can, and the Q1 guide reflects that and the range around what we think the execution could be.

Thanks for the question. Hopefully, that helps explain.

**OPERATOR**

This will conclude our question-and-answer session, as well as Snap Inc.'s Fourth Quarter and Full Year 2019 Earnings Conference Call. Thank you all for attending today's presentation and you may now disconnect your line.