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Snap, Inc

Expecting Another Choppy Quarter, But Remain Upbeat On 2H

The Key Take-Away: SNAP is likely to report revenue and DAU in-line to slightly below consensus in 2Q, but point to momentum building into 2H on the back of the Android re-write and R-squared (the redesign of the redesign). Consensus estimates don't really capture management's guidance for DAU (likely below 191m) or revenue to decelerate "significantly" (i.e. – above the 18 points from 4Q to 1Q). We think the buy-side understands this, but given operating losses and cash burn, any downward estimate revisions are likely to mean short-term weakness in shares. Stepping back from the print, we think SNAP might be "getting out of the woods" in 2H18 with a new CFO, a new Android stack (solving the biggest problem the past year-plus) and lapping the CPM reductions. Hence we would add to positions on any weakness related to 2Q.

Key Metrics in 2Q

DAU: Management has been pretty clear that the DAU trajectory was negative from Jan-March and continued its trend in April on the Android side. Because SNAP reports on an average basis (not a quarter-ending basis like FB/TWTR), and given March's 187-191m range, we find it very unlikely that the DAU prints above 190m (-1m Q/Q). We think most investors understand this dynamic at this stage, but the consensus 193m looks stale (vs. our 190m). More important than 2Q is likely the commentary about the Android re-write and any uptick in momentum. Lastly, GDPR may shave off another 1-2m from Europe, as we estimate SNAP has 6m EU DAUs that are 16-or-below years old.

Revenue: Checks around SNAP ads continue to be solid, with direct response advertisers experimenting with Pixel and new formats. This is offset by the price reductions in Lenses and more competition in AR ads from Facebook. SNAP has stated that 2Q revenue is likely to "significantly" decelerate from 1Q's 54% Y/Y, which we interpret as "greater than 18 percentage points" to get to our \$241m, +33% Y/Y.

SNAP: Quarterly and Annual EPS (USD)

	2017		2018			2019		Change y/y	
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2018	2019
Q1	-0.20A	-0.17A	-0.17A	-0.17A	-0.17E	-0.17E	-0.15E	15%	0%
Q2	-0.16A	-0.18E	-0.18E	-0.17E	-0.16E	-0.16E	-0.13E	-12%	11%
Q3	-0.14A	-0.17E	-0.17E	-0.15E	-0.13E	-0.13E	-0.10E	-21%	24%
Q4	-0.13A	-0.13E	-0.13E	-0.10E	-0.06E	-0.06E	-0.04E	0%	54%
Year	-0.63A	-0.66E	-0.66E	-0.60E	-0.52E	-0.52E	-0.45E	-5%	21%
P/E	N/A		N/A			N/A			

Source: Barclays Research.

Consensus numbers are from Thomson Reuters received on 12-Jul-2018; 13:35 GMT

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PLEASE SEE ANALYST CERTIFICATION(S) AND IMPORTANT DISCLOSURES BEGINNING ON PAGE 6.

Equity Research

Internet & Media | U.S. Internet
13 July 2018

Stock Rating	OVERWEIGHT Unchanged
Industry View	POSITIVE Unchanged
Price Target	USD 16.00 Unchanged

Price (12-Jul-2018)	USD 13.65
Potential Upside/Downside	+17.2%
Tickers	SNAP

Market Cap (USD mn)	17335
Shares Outstanding (mn)	1269.98
Free Float (%)	79.00
52 Wk Avg Daily Volume (mn)	26.9
52 Wk Avg Daily Value (USD mn)	N/A
Dividend Yield (%)	N/A
Return on Equity TTM (%)	-37.56
Current BVPS (USD)	2.23

Source: Thomson Reuters

Price Performance	Exchange-NYSE
52 Week range	USD 21.22-10.50



[Link to Barclays Live for interactive charting](#)

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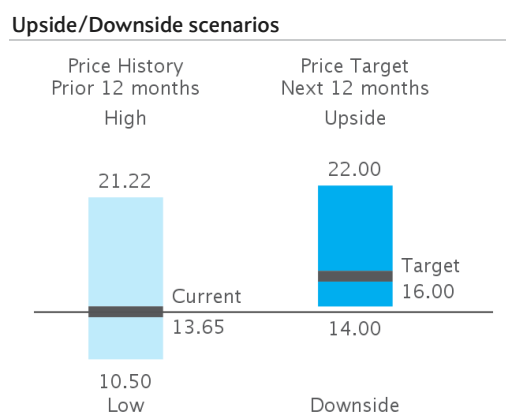
U.S. Internet	Industry View: POSITIVE
Snap, Inc (SNAP)	Stock Rating: OVERWEIGHT

Income statement (\$mn)	2017A	2018E	2019E	2020E	CAGR	Price (12-Jul-2018)	USD 13.65
Revenue	825	1,098	1,698	2,786	50.0%	Price Target	USD 16.00
EBITDA (adj)	-720	-764	-607	-141	N/A	Why Overweight? We are Overweight based on 6 key elements: 1) SNAP's Ad revenue headwind is almost done, 2) the overall narrative may change in 2018, 3) Promoted Stories Ad format could help starting 1Q18, 4) short interest is high, 5) Tencent are the smartest guys in the space and bought shares at \$14-\$15 levels, and 6) SNAP could see stronger user growth in late 2018.	
EBIT (adj)	-827	-851	-684	-219	N/A		
Pre-tax income (adj)	-799	-861	-677	-215	N/A		
Net income (adj)	-721	-842	-677	-215	N/A		
EPS (adj) (\$)	-0.63	-0.66	-0.52	-0.16	N/A		
Diluted shares (mn)	1,164.6	1,280.6	1,306.4	1,332.7	4.6%		
DPS (\$)	0.00	0.00	0.00	0.00	N/A		

Margin and return data	Average					Upside case	USD 22.00
EBITDA (adj) margin (%)	-87.3	-69.6	-35.7	-5.1	-49.4	Our upside case is 35% higher than base case, assuming 13.5x our FY19/FY20 revenue estimate.	
EBIT (adj) margin (%)	-100.3	-77.5	-40.3	-7.9	-56.5		
Pre-tax (adj) margin (%)	-96.9	-78.5	-39.9	-7.7	-55.7	Our downside case is 30% lower than base case, assuming 6x our FY19/FY20 revenue estimate.	
Net (adj) margin (%)	-87.3	-76.7	-39.9	-7.7	-52.9		
ROIC (%)	-161.0	-61.6	-87.3	-104.7	-103.7		
ROE (%)	-159.3	-61.8	-87.3	-104.7	-103.3		

Balance sheet and cash flow (\$mn)	CAGR				
Tangible fixed assets	167	234	239	258	15.7%
Intangible fixed assets	166	145	134	126	-8.8%
Cash and equivalents	334	140	118	92	-34.9%
Total assets	3,422	2,642	2,210	2,202	-13.7%
Short and long-term debt	0	0	0	0	N/A
Other long-term liabilities	83	83	151	209	36.2%
Total liabilities	429	470	715	922	29.0%
Net debt/(funds)	-334	-140	-118	-92	N/A
Shareholders' equity	2,992	2,171	1,494	1,280	-24.7%
Change in working capital	11	127	249	200	162.5%
Cash flow from operations	-735	-672	-350	63	N/A
Capital expenditure	-85	-124	-71	-89	N/A
Free cash flow	-819	-795	-422	-26	N/A

Valuation and leverage metrics	Average				
P/E (adj) (x)	N/A	N/A	N/A	N/A	N/A
EV/sales (x)	15.4	11.7	7.6	4.6	9.9
EV/EBITDA (adj) (x)	-17.6	-16.9	-21.3	-91.8	-36.9
FCF yield (%)	-6.4	-6.2	-3.3	-0.2	-4.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	0.5	0.2	0.2	0.7	0.4



Source: Company data, Barclays Research
Note: FY End Dec

2Q18 SNAP Preview (continued)

EBITDA Loss & Margins: We expect infrastructure COGS per DAU to continue to de-leverage in 2Q on the back of lapping the cloud contracts, higher engagement and new products like Maps, etc. Offsetting cloud COGS, we think the Discover TAC will come down from the 40% Y/Y growth experienced last quarter without the Olympics. Hence we expect continued improvement in gross margin off a low base, and continued massive EBITDA losses, our estimate is -\$185m (-77% margin).

Outlook For 2018: SNAP is likely to get back on track in 2H following the redesign debacle in 1Q. On a market-cap-per-DAU basis, SNAP trades at the widest gap since going public at around 1/3rd of Twitter (\$100 vs. \$300) which illustrates the opportunity if the company can improve (and is what a potential strategic would be looking at). Engagement remains the most important metric for SNAP (or any mobile communication app) and despite the problems of late, these metric remains very healthy. If 2Q comes in as we expect, shares could trade off, but we'd add on any weakness as we think a lot of the issues impacting the story around Android and the ad transition are in the rear-view mirror by the end of 2018.

Valuation

We are maintaining our price target of \$16, based on 10x EV/Revenue on our FY19 & FY20 estimates.

FIGURE 1 Snap Valuation

Snap -- Valuation Worksheet

(\$ in millions, except per share amounts)

Current Price	\$13.65
Diluted Shares Outstanding	1,457.0
Current Market Cap	19,888.1
Less: Cash and Cash Equivalents	1,821.4
Plus: Debt	0.0
Enterprise Value	18,066.7

<u>EV to Revenue</u>	<u>2018E</u>	<u>2019E</u>	<u>2020E</u>
Revenue (\$m)	\$1,098	\$1,698	\$2,786
Current EV/Revenue Multiple	16.5x	10.6x	6.5x
Target Multiple	10.0x	10.0x	10.0x
Enterprise Value	10,976	16,976	27,862
Plus: YE Cash	1,295	873	847
Less: YE Debt	0	0	0
Less: Minority Interest	0	0	0
Equity Market Capitalization	12,271	17,848	28,709
FY End Projected Sharecount (m)	1468.0	1497.5	1527.7
Implied Stock Price on Forward Revenue	\$9	\$12	\$19

Target Price

\$16

Source: Barclays Research

FIGURE 2 SNAP Income Statement

Snap, Inc -- Quarterly Earnings Analysis	2016A	2017A	2018E				2018E	2019E	2020E
(\$ in millions, except per share amounts)			Mar A 1QA	Jun E 2QE	Sep E 3QE	Dec E 4QE			
Expenses in non GAAP unless otherwise stated									
Total Revenues	404.5	824.9	230.7	241.0	277.7	348.3	1,097.6	1,697.6	2,786.2
Cost of Revenues	448.9	675.7	191.2	171.6	196.8	206.6	766.2	949.3	1,300.8
Gross Profit	(44.4)	149.2	39.5	69.5	80.9	141.7	331.5	748.3	1,485.4
Operating expenses									
Research and development	144.0	345.9	107.9	101.9	101.6	99.1	410.5	541.6	757.6
Sales and Marketing	117.2	273.3	81.2	96.0	100.0	101.6	378.8	379.3	348.2
General and administrative	153.8	289.9	78.2	74.1	74.5	89.3	316.2	434.2	520.7
Stock Based Compensation	31.8	2,664.4	143.2	189.1	204.1	195.5	731.9	923.2	1,236.8
Total operating expenses	475.9	3,634.8	432.0	479.0	498.7	504.9	1,914.6	2,355.7	2,940.9
Operating income	(520.4)	(3,485.6)	(392.5)	(409.5)	(417.8)	(363.2)	(1,583.1)	(1,607.4)	(1,455.5)
Depreciation & amortization	29.1	61.3	21.6	17.7	18.5	19.3	77.1	77.5	77.7
Stock based compensation	32.0	2,664.4	143.2	189.1	204.1	195.5	731.9	923.2	1,236.8
Adjusted EBITDA	(459.2)	(720.1)	(217.9)	(202.6)	(195.3)	(148.4)	(764.2)	(606.8)	(141.1)
Interest income	4.7	21.1	6.1	5.5	4.9	4.3	20.8	13.3	10.2
Interest expense	(1.4)	(3.5)	(0.9)	0.0	0.0	0.0	(0.9)	0.0	0.0
Other (expense) income, net	(4.6)	4.5	3.2	(14.0)	(14.0)	(5.0)	(29.8)	(6.0)	(6.0)
Pretax Income	(521.7)	(3,463.4)	(384.2)	(418.0)	(426.9)	(363.9)	(1,593.1)	(1,600.1)	(1,451.3)
Income Tax Benefit (Expense)	7.1	18.3	(1.6)	0.0	0.0	0.0	(1.6)	0.0	0.0
Reported Net Income	(514.6)	(3,445.1)	(385.8)	(418.0)	(426.9)	(363.9)	(1,594.7)	(1,600.1)	(1,451.3)
Non-GAAP Operating Income	(488.4)	(827.3)	(249.3)	(220.4)	(213.8)	(167.7)	(851.2)	(684.3)	(218.8)
Non-GAAP Net Income	(478.0)	(720.5)	(221.6)	(228.9)	(222.9)	(168.4)	(841.8)	(677.0)	(214.6)
<u>Diluted Earnings per Share</u>									
GAAP Earnings per Share	\$0.00	(\$3.32)	(\$0.30)	(\$0.33)	(\$0.33)	(\$0.28)	(\$1.25)	(\$1.22)	(\$1.09)
Pro forma Earnings per Share	\$0.00	(\$0.63)	(\$0.17)	(\$0.18)	(\$0.17)	(\$0.13)	(\$0.66)	(\$0.52)	(\$0.16)
Diluted Shares Outstanding	0.0	1,164.6	1,271.0	1,277.4	1,283.7	1,290.2	1,280.6	1,306.4	1,332.7
Pro forma Shares Outstanding	0.0	1,164.6	1,271.0	1,277.4	1,283.7	1,290.2	1,280.6	1,306.4	1,332.7
Pro forma Shares Outstanding (Treasury)	0.0	1,414.5	1,457.0	1,464.3	1,471.6	1,479.0	1,468.0	1,497.5	1,527.7
<u>Other Metrics</u>									
Free Cash Flow	(677.7)	(819.2)	(268.3)	(185.7)	(203.4)	(137.9)	(795.3)	(421.9)	(25.5)
Free Cash Flow per Share		(\$0.70)	(\$0.21)	(\$0.15)	(\$0.16)	(\$0.11)	(\$0.62)	(\$0.32)	(\$0.02)
<u>Margin Analysis</u>									
Cogs as % of revs	111.0%	81.9%	82.9%	71.2%	70.9%	59.3%	69.8%	55.9%	46.7%
Gross Margin	-11.0%	18.1%	17.1%	28.8%	29.1%	40.7%	30.2%	44.1%	53.3%
Research & Development as % of revs	35.6%	41.9%	46.8%	42.3%	36.6%	28.5%	37.4%	31.9%	27.2%
Sales & Marketing % of revs	29.0%	33.1%	35.2%	39.8%	36.0%	29.2%	34.5%	22.3%	12.5%
General & Administrative as % of revs	38.0%	35.1%	33.9%	30.8%	26.8%	25.6%	28.8%	25.6%	18.7%
Total Operating Expenses as % of revs	117.7%	440.6%	187.3%	198.7%	179.6%	145.0%	174.4%	138.8%	105.6%
GAAP Operating Margin	-128.7%	-422.5%	-170.2%	-169.9%	-150.5%	-104.3%	-144.2%	-94.7%	-52.2%
Non-GAAP Operating Margin	-120.7%	-100.3%	-108.1%	-91.4%	-77.0%	-48.2%	-77.5%	-40.3%	-7.9%
Adjusted EBITDA Margin	-113.5%	-87.3%	-94.5%	-84.1%	-70.3%	-42.6%	-69.6%	-35.7%	-5.1%
EBITDA Margin Delta	385.8%	26.3%	31.3%	22.7%	15.7%	13.0%	17.7%	33.9%	30.7%
Incremental EBITDA Margin	-48.1%	-62.0%	-36.6%	-14.6%	-23.5%	16.8%	-16.2%	26.2%	42.8%
Effective Tax Rate	-1.4%	-0.5%	0.4%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%
Reported Net Income Margin	-127.2%	-417.6%	-167.2%	-173.4%	-153.8%	-104.5%	-145.3%	-94.3%	-52.1%
<u>Year Over Year Growth</u>									
Total Revenues	590%	104%	54%	33%	34%	22%	33%	55%	64%
Cost of Revenues	147%	51%	35%	17%	-3%	12%	13%	24%	37%
Gross Profit	-64%	-436%	394%	100%	1632%	39%	122%	126%	98%
PF Operating Income	58%	69%	24%	7%	-11%	-7%	3%	-20%	-68%
Adjusted EBITDA	57%	57%	16%	4%	9%	-7%	6%	-21%	-77%
Reported Net Income	38%	569%	-83%	-6%	-4%	4%	-54%	0%	-9%
GAAP Earnings per Share									
Pro forma Earnings per Share									

Source: Company Reports, Barclays Research

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Primary Stocks (Ticker, Date, Price)

Snap, Inc (SNAP, 12-Jul-2018, USD 13.65), Overweight/Positive, CE/J/K/M/N

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Overweight - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

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Below is the list of companies that constitute the "industry coverage universe":

U.S. Internet

Activision Blizzard, Inc. (ATVI)	Alibaba Group Holding Ltd. (BABA)	Alphabet Inc. (GOOGL)
Amazon.com, Inc. (AMZN)	Baidu, Inc. (BIDU)	Blue Apron Holdings, Inc. (APRN)
Booking Holdings Inc. (BKNG)	Ctrip.com International Ltd. (CTRP)	eBay, Inc. (EBAY)
Electronic Arts, Inc. (EA)	Expedia Inc. (EXPE)	Facebook, Inc. (FB)
GoDaddy Inc. (GDDY)	Groupon, Inc. (GRPN)	GrubHub, Inc. (GRUB)
IAC/InterActiveCorp (IAC)	Match Group, Inc. (MTCH)	MercadoLibre (MELI)

IMPORTANT DISCLOSURES CONTINUED

NetEase, Inc. (NTES)	Shopify (SHOP)	Snap, Inc (SNAP)
Spotify Technology S.A (SPOT)	Stitch Fix (SFIX)	Take-Two Interactive Software (TTWO)
Tencent Holdings Ltd. (TCEHY)	Tripadvisor Inc. (TRIP)	Twitter, Inc. (TWTR)
Web.com (WEB)	Weibo Corporation (WB)	Wix.com Ltd. (WIX)
Yelp, Inc. (YELP)	Zillow, Inc. (ZG)	

Distribution of Ratings:

Barclays Equity Research has 1553 companies under coverage.

43% have been assigned an Overweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Buy rating; 59% of companies with this rating are investment banking clients of the Firm; 76% of the issuers with this rating have received financial services from the Firm.

39% have been assigned an Equal Weight rating which, for purposes of mandatory regulatory disclosures, is classified as a Hold rating; 48% of companies with this rating are investment banking clients of the Firm; 69% of the issuers with this rating have received financial services from the Firm.

15% have been assigned an Underweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Sell rating; 38% of companies with this rating are investment banking clients of the Firm; 69% of the issuers with this rating have received financial services from the Firm.

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Barclays Equity Research's "Top Picks" represent the single best alpha-generating investment idea within each industry (as defined by the relevant "industry coverage universe"), taken from among the Overweight-rated stocks within that industry. Barclays Equity Research publishes "Top Picks" reports every quarter and analysts may also publish intra-quarter changes to their Top Picks, as necessary. While analysts may highlight other Overweight-rated stocks in their published research in addition to their Top Pick, there can only be one "Top Pick" for each industry. To view the current list of Top Picks, go to the Top Picks page on Barclays Live (<https://live.barcap.com/go/keyword/TopPicks>).

To see a list of companies that comprise a particular industry coverage universe, please go to <https://publicresearch.barclays.com>.

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Barclays Bank PLC, Singapore branch (Barclays Bank, Singapore)

IMPORTANT DISCLOSURES CONTINUED

Snap, Inc (SNAP / SNAP)

USD 13.65 (12-Jul-2018)

Stock Rating

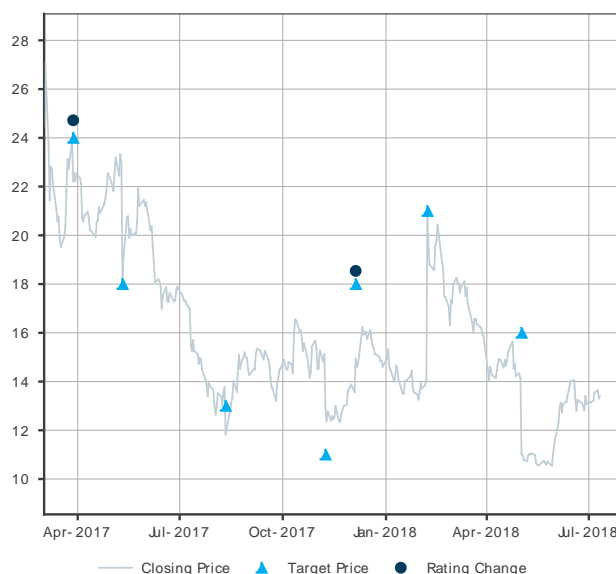
OVERWEIGHT

Industry View

POSITIVE

Rating and Price Target Chart - USD (as of 12-Jul-2018)

Currency=USD



Publication Date	Closing Price	Rating	Adjusted Price Target
02-May-2018	11.03		16.00
07-Feb-2018	20.75		21.00
05-Dec-2017	14.94	Overweight	18.00
08-Nov-2017	12.91		11.00
11-Aug-2017	11.83		13.00
11-May-2017	18.05		18.00
28-Mar-2017	22.21	Equal Weight	24.00

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

CE: Barclays Bank PLC and/or an affiliate is a market-maker in equity securities issued by Snap, Inc.

J: Barclays Bank PLC and/or an affiliate is a liquidity provider and/or trades regularly in the securities by Snap, Inc and/or in any related derivatives.

K: Barclays Bank PLC and/or an affiliate has received non-investment banking related compensation (including compensation for brokerage services, if applicable) from Snap, Inc within the past 12 months.

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N: Snap, Inc is, or during the past 12 months has been, a non-investment banking client (non-securities related services) of Barclays Bank PLC and/or an affiliate.

Valuation Methodology: Our price target of \$16 is based on a blended average of 10x EV/revenue on our FY19 and FY20 estimates.**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** Risks include: a) slowdown in user growth and engagement decline b) lack of profitability c) risks around advertising ROI d) multiple compression due to sentiment change and e) competition from Instagram and other social networks

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Key Facts

Business address: **Venice, California, United States**

Industry: **Software Publishers** (NAICS 511210)

SEC filer status: **Non-Accelerated Filer** as of Mar 2018

Index member: **None**

Market Cap: **\$13.9b** as of May 2, 2018

Annual revenue: **\$825m** as of Dec 31, 2017

Corporate Governance

CEO: **Evan Spiegel**

CFO: **Tim Stone** since 2018

1st level

Board Chairman: **Michael Lynton** since 2016

Audit Committee Chair: **Stanley Meresman**

2nd level

Auditor: **Ernst & Young LLP** since 2016

Outside Counsel (most recent): **Cooley LLP**

3rd level

SEC Reviewer: **Jan Woo**

4th level

Information in this report is effective Jun 13, 2018 and was drawn from the company's public financial and regulatory filings covering five years or since the date of IPO. Latest filing 10-Q filed 05/02/2018. Over 75 accounting and data analysts scrutinize and review crucial information, footnotes, disclosures, etc., from these filings. Material facts are captured and processed using our proprietary methods which identify key risk factors our readers need to know. Each Corporate Watchdog Report represents 30 or more hours of analysis and processing.

[Market Data](#) by Xignite.

Executive compensation data from [Shore Group and Intrinio](#).

Data from [Sharadar](#).

Jun 13, 2018

Jan 1, 2017

RECENT

HISTORICAL

10-Q for period ending Mar 2018 filed on May 2, 2018

Reporting Irregularities

RECENT		HISTORICAL
✓	Financial Restatements	✓
✓	Late Filings	✓
!	Impairments	✓
✓	Changes in Accounting Estimates	✓
✓	Material Weakness: Disclosure Controls	✓
✓	Material Weakness: Internal Controls	✓

Anomalies in the Numbers

RECENT		HISTORICAL
✓	Benford's Law	✓
—	Beneish M-Score	—
✓	Accounting Disclosure Complexity	✓

Securities & Exchange Commission Concerns

RECENT		HISTORICAL
!	SEC Letters to Management	✓

Lawsuits

RECENT		HISTORICAL
!	Significant Litigation	✓

External Pressures

RECENT		HISTORICAL
✓	Shareholder Activism	✓

Management Review

RECENT		HISTORICAL
✓	CEO Changes	✓
!	CFO Changes	✓

Auditor Assessment

RECENT		HISTORICAL
✓	Auditor Experience	✓
✓	Auditor Tenure	✓
!	Audit Fees	✓
!	Non-Audit Fees	✓



Overview

Price and Volume History

This graph shows the price and trading history for Snap. Warning signs and red flags are marked on the graph according to their disclosure dates.



Peer Group

Peer groups are used by companies to benchmark executive compensation and performance. Each company identifies its own peer group. Peer groups vary from company to company.

Peer Group

Company	Ticker	Market Cap
Snap Inc.	SNAP	\$13.9b
Veeva Systems Inc. *	VEEV	\$11.4b
Nutanix, Inc. *	NTNX	\$10.4b
Atlassian Corp. Plc. *	TEAM	\$7.97b
Ultimate Software Group Inc. *	ULTI	\$7.88b
FactSet Research Systems Inc. *	FDS	\$7.6b
Tableau Software Inc. *	DATA	\$7.59b
Guidewire Software, Inc. *	GWRE	\$7.46b
Sabre Corp. *	SABR	\$6.49b
National Instruments Corp. *	NATI	\$5.35b

* Suggested by Corporate Watchdog.

Companies Who Named Snap as a Peer

Snap is not named as a peer by any company.

Peer Group Flags

Peer groups are used by companies to benchmark executive compensation and performance. Each company identifies its own peer group. Peer groups vary from company to company.

	SNAP	PEER GROUP FLAGS				SNAP	PEER GROUP FLAGS		
Reporting Irregularities					Lawsuits				
Financial Restatements	✓	6		3	Significant Litigation	!	4	2	3
Late Filings	✓	9			External Pressures				
Impairments	!	8	1		Shareholder Activism	✓	9		
Changes in Accounting Estimates	✓	8	1		Management Review				
Material Weakness: Disclosure Controls	✓	1	6	2	CEO Changes	✓	4	4	
Material Weakness: Internal Controls	✓	8		1	CFO Changes	!	3	3	2
Anomalies in the Numbers					Auditor Assessment				
Benford's Law	✓	8			Auditor Experience	✓	9		
Beneish M-Score	⊖	4			Auditor Tenure	✓	9		
Accounting Disclosure Complexity	✓	8			Audit Fees	!	2	7	
Securities & Exchange Commission Concerns					Non-Audit Fees	!	5	4	
SEC Letters to Management	!	1	8						



Reporting Irregularities

✓ Financial Restatements

A financial restatement is a serious event in the financial life of a company. When previous estimates of revenue, earnings, or equity are significantly affected, financial restatements can have a dramatic impact on the valuation of a company.



Snap has not restated their financials at least since 2017.

✓ Late Filings

Late filings can be significant warning signs. Why didn't the company file its financial report on time? Late filings may signal an impending financial restatement or deeper problems with a company's accounting processes.



Snap has not filed any late financial statements at least since 2017. All financial statements have been filed on or before the appropriate deadline.

! Impairments

An impairment is a permanent reduction in the value of an asset.



Snap has reported 1 impairment on 1 annual report since 2017.

DISCLOSURE

02/22/2018 via SEC form [10-K](#)

IMPACT ON PRETAX INCOME

\$2.5m

IMPAIRMENT

1. Inventory





Changes in Accounting Estimates

Some assets and liabilities require accountants to make assumptions about future performance in order to estimate their value. Occasionally, economic conditions cause these assumptions to be revised, resulting in a change in accounting estimates. A change in accounting estimates can have a significant impact on the bottom line and may be used strategically by management to disguise otherwise weak financial results.

The impact of changes in accounting estimates on pretax income are provided when available. If the impact of changes is measured in terms of net income, it is denoted with an asterisk (*).



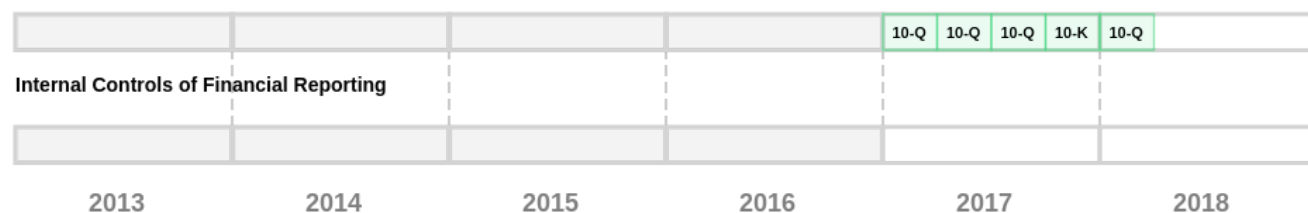
Snap has not reported any changes in accounting estimates at least since 2017.



Material Weakness

Internal controls are put in place in order to prevent financial misstatements. A company with ineffective internal controls is said to have a "material weakness". A material weakness is a serious warning sign about a company's accounting quality.

Disclosure Controls



Snap has not reported any material weakness at least since 2017.

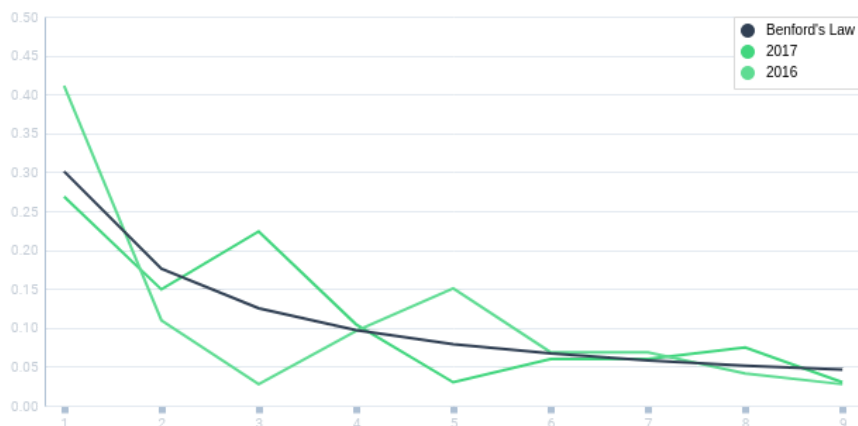
Management attests that the disclosure controls are effective as of 03/31/2018.



Anomalies in the Numbers

✓ Benford's Law

Benford's Law is used to detect financial manipulation and fraud. When financial statements do not follow Benford's Law, there is reason to suspect problems with the accounting or financial reporting process.

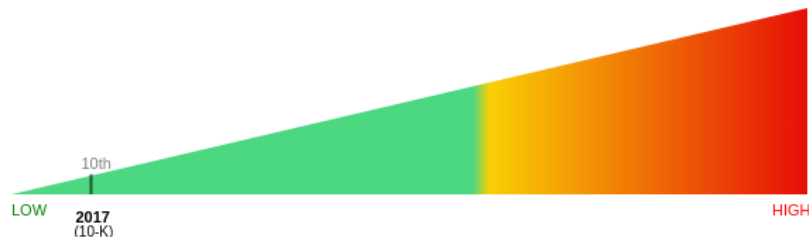


Numbers generated by natural processes conform to Benford's Law.

All of Snap's financial statements conform to Benford's Law. Snap is at low risk for financial manipulation or fraud.

✓ Accounting Disclosure Complexity

Companies committed to transparency make their reports easier for investors to understand and compare. By contrast, a high degree of Accounting Disclosure Complexity makes it difficult to measure executive performance and the company's financial health. Accounting Disclosure Complexity may also be used to obfuscate serious accounting problems and other issues.



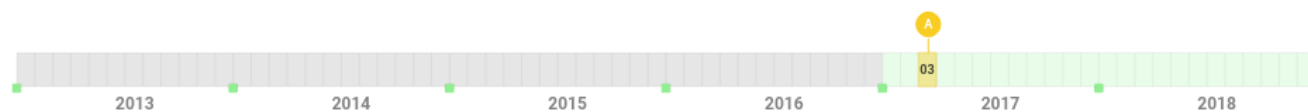
Snap's highest level of accounting disclosure complexity was in the 10th percentile in 2017.



Securities & Exchange Commission Concerns

! SEC Letters to Management

Regulators at the Securities and Exchange Commission (SEC) review each company's financial reporting. When the SEC has questions about a company's filing, they will write letters to the company asking for clarification about different accounting issues.



Snap has had 1 conversations with the SEC since 2017.

FROM

Jan Woo (SEC)

TO

Evan Spiegel

DISSEMINATION DATE

03/29/2017

LETTERS

7

FIRST LETTER

[11/29/2016](#) [↗](#)

LAST LETTER

02/27/2017

ISSUES CITED

Revenue recognition issues

Material weakness

Material weakness

8-K Disclosure issues

Tandy letter provided or sought



Lawsuits



Significant Litigation

Is the company involved in any lawsuits? This part of the Corporate Report summarizes recent and ongoing litigation that may have a significant impact on your investment.

Snap was named in "In Re Snap Inc Securities Litigation". The lawsuit began on 05/16/2017 and is still pending.

Name	Type	Start Date	End Date	Claim
In Re Snap Inc Securities Litigation	Securities Law, Class Action, Initial Public Offering	05/16/2017	pending	undisclosed



External Pressures



Shareholder Activism

An activist shareholder uses his ownership stake to influence management and affect the strategy and direction of the company. While these shareholders contribute to oversight and may push for better financial performance or even a change in leadership, they may also pursue social, political, or environmental goals that can adversely affect a company's operations and profitability.



There is no activist shareholder for Snap.



Management Review

! Management Turnover

Investors should always pay attention to CEO and CFO changes. These two officers are responsible for a company's performance and financial reporting. Why did they depart? There are many possible answers to this question, not all of them good.

✓ Reported CEO Changes

Snap has not reported a CEO change at least since 2017.

! Reported CFO Changes

↑ **Tim Stone** CFO

Appointed effective: 05/16/2018 ([8-K](#) on 05/07/2018)

↓ **Andrew Vollero** CFO

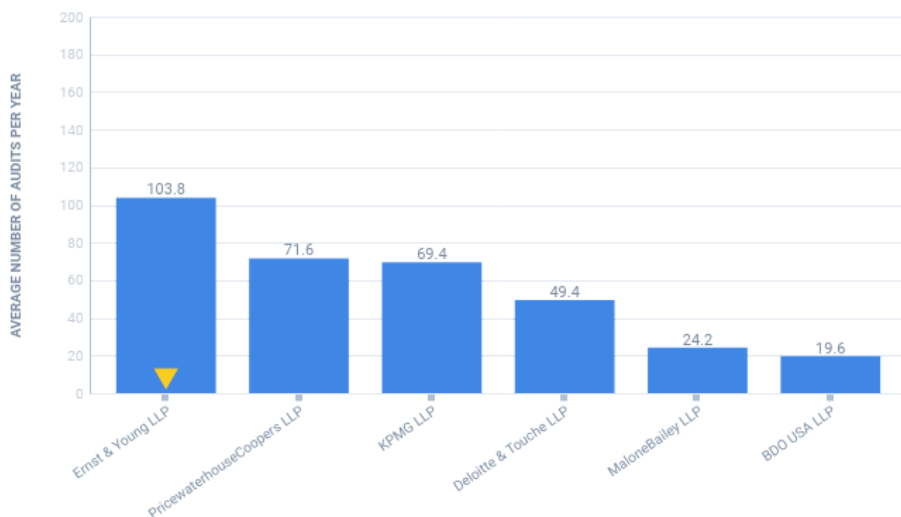
Resigned effective: 05/15/2018 ([8-K](#) on 05/07/2018)



Auditor Assessment

✓ Auditor Experience

How much experience does the auditor have in this industry? This graph shows the average number of audits of the largest auditors in this industry in the last five years (based on our population). The current auditor is marked with an arrow.

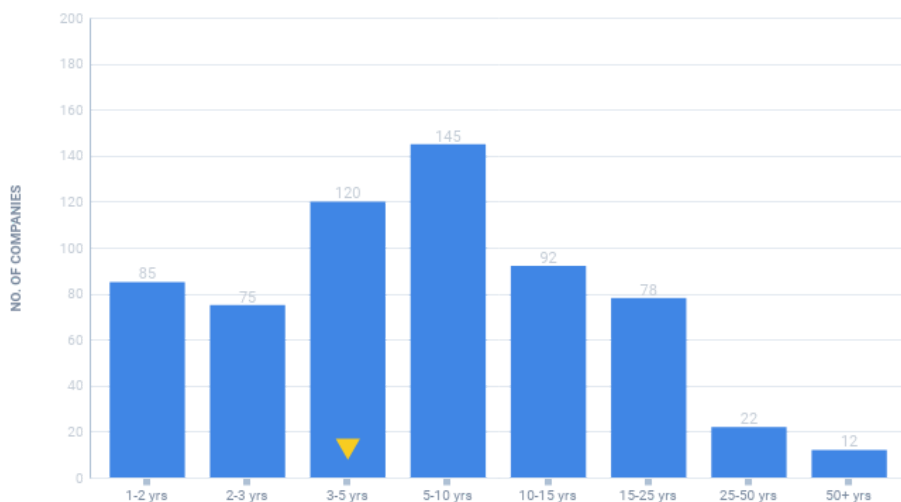


Current auditor is Ernst & Young LLP.

Auditors with relatively little industry experience may be more likely to make mistakes. Auditors that do more audits tend to have greater industry expertise.

✓ Auditor Tenure

How long have they had the same auditor? This graph shows a histogram of the number of companies in the industry (from our population) and the corresponding auditor tenure. Current auditor tenure for Snap is marked with an arrow.



Ernst & Young LLP has been Snap's auditor for the last 3 years.

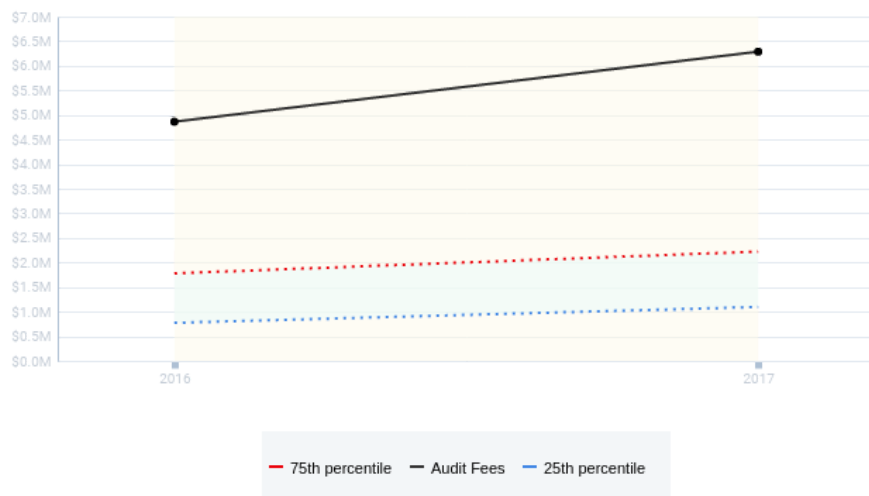
Mistakes may be more common in the early years of an auditor's tenure as they gain knowledge of a company's accounting policies and processes. On the other hand, there is some concern that a lengthy tenure may make auditors too "cozy" with the company and reluctant to report on issues or problems.



Auditor Assessment

! Audit Fees

Audit fees are fees paid to the auditor for the audit and services related to the audit. This graph compares recent audit fees to the rest of the industry based on audit fee to revenue ratios (or audit fees to asset ratios for financial companies).



MOST RECENT AUDIT FEES

\$6.29m ▲ 29.28%

AUDIT FEES TO REVENUE RATIO

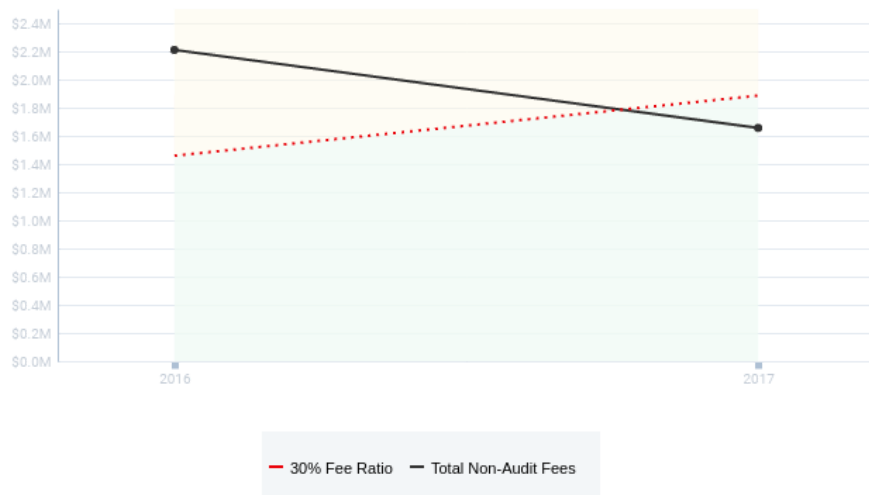
0.76%

Snap's audit fees increased by 29.28% from last year. Snap's most recent audit fees are relatively high.

High audit fees create incentives that undermine auditor independence. On the other hand, low audit fees may result in a lower quality audit.

! Non-Audit Fees

Non-audit fees are fees paid to the auditor for the services unrelated to the audit.



MOST RECENT NON-AUDIT FEES

\$1.66m ▼ -25.06%

NON-AUDIT FEES TO AUDIT FEES RATIO

26.34%

Snap's most recent non-audit fees are in the normal range.

Relatively high non-audit fees create incentives that undermine the auditor's objectivity and are often used as a proxy measure of auditor independence.



Appendix

Appendix A. SEC Letters to Management

A **Conversation disseminated on 03/29/2017**
FROM: Jan Woo (SEC) **TO:** Evan Spiegel

7 
LETTERS

ISSUES CITED	LETTERS	RELATED FILINGS
<ul style="list-style-type: none"> Revenue recognition issues Material weakness Material weakness 8-K Disclosure issues Tandy letter provided or sought Commitments, contingencies, and related disclosure issues Debt, quasi-debt, warrants & equity security issues Deferred, stock-based, or executive compensation issues EPS, ratio and classification of income statement issues Questions about fair value measurement and estimates Request to identify, disclose, or explain legal matters or issues Business overview discussion (MD&A) Discussion of critical accounting policies and estimates (MD&A) Results of operations discussion (MD&A) Questions about prospectus assertions about markets, results, operations, or potential Change in shareholder rights risk factors Government regulatory risk factors Financial reporting issues related to a lack of comprehensive and clear disclosure Ineffective internal or disclosure controls risk factors Request to unbundle discrete risk factors Questions about company bylaws or articles of incorporation Request to accelerate or expedite registration Questions about the proper distribution of information related to issuance or sale of shares 	<p>dated 11/29/2016</p> <p>dated 12/23/2016</p> <p>dated 01/18/2017</p> <p>dated 02/02/2017</p> <p>dated 02/14/2017</p> <p>dated 02/27/2017</p> <p>dated 02/27/2017</p>	<p>S-1/A 02/09/2017</p> <p>S-1 02/02/2017</p> <p>DRS/A 01/26/2017</p> <p>DRS/A 01/03/2017</p> <p>DRS/A 12/07/2016</p> <p>DRS 10/31/2016</p>

Appendix B. Significant Litigation

In Re Snap Inc Securities Litigation

Case began on 05/16/2017

According to the complaint, throughout the Class Period, Defendants made materially false and misleading statements regarding the Company's business, operational and compliance policies. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (i) Snap's reported user growth was materially false and misleading; and (ii) as a result, Snap's public statements were materially false and misleading at all relevant times. In September 2017, case No. 2:17-cv-05054-MWF-AS was consolidated into this case.



About Watchdog Research, Inc.

Watchdog Research, Inc. is an independent research provider and publisher of Watchdog Reports. Watchdog Reports identify red flags, issues, and other anomalies in financial reporting. Our reports contain warning signs, red flags, material disclosures, and peer analysis for use in valuation, risk analysis, due diligence research, and idea generation.

Watchdog Reports are designed to assist investment professionals fulfill their fiduciary or suitability obligations and to help investors, executives, board members, regulators and educators learn what they need to know about publicly traded companies.

The company is headquartered in Naples, FL. Watchdog Research, Inc. utilizes over 75 specialists and analysts to provide accurate and timely information to our readers.

Our management team is:

CEO: Brian Lawe. Brian has been part of the corporate staff at The New York Times Company and IBM. He has created and operated several technology companies including MyStoreCredit, OnPage Ideas and HelloCampus. He holds an MBA from Harvard Business School and a BBA from Texas Christian University. He and his wife have four children and live in the Naples, FL area. One son is deployed with the US Marine Corps in Afghanistan.

CTO: Radu Cugut. Radu has led the award-winning technology team that developed the Corporate Watchdog Report and services. He, his wife and son split their time between his home in Naples, FL and his home in Timisoara, Romania where he oversees five talented development professionals. Radu has a bachelors in Computer Science and a masters in Banking and Financial Information Systems, both from the West University of Timisoara.

Chief Content Officer: Joseph Burke, Ph.D. is responsible for the content development, analysis, and quality control for the Corporate Watchdog Report. He also edits the blog and directs our custom research. Joseph worked previously as a professor of economics at Ave Maria University. He received his Ph.D. from the University of Wisconsin-Madison and resides with his family in the Naples area.



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The Leader in Stock Valuation and Forecasting

RATING AND FORECAST REPORT

Company Name: SNAP INC

Ticker: SNAP

Jun. 21, 2018

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www.valuengine.com

Rating and Forecast Report

SNAP INC (NYSE: SNAP)



Report Date: Jun 21, 2018

DATA SUMMARY

Sector: Computer and Technology

Industry: Internet Software

Last Close: \$12.80

Trade Date: Jun 20, 2018

1-Yr Forecast: -2.57%

1-Yr Momentum: -26.05%

Market Cap (bil): 8.47

EPS Growth: 2.49%

PEG Ratio: 4.27

P/S Ratio: 9.35

M/B Ratio: 4.26

5-Yr Avg Return: -58.47%

Volatility: 46.09%

Sharpe Ratio: -1.27

Beta: -2.66

52-Wk High: \$21.22

52-Wk Low: \$10.50

Avg Volume: 28061733

Alpha: -0.32

Shares Outs(mil): 661.83

VALUENGINE RECOMMENDATION

NEGATIVE underperform	NEUTRAL match	POSITIVE outperform
--------------------------	------------------	------------------------

**ValuEngine
Rating**



ValuEngine recommendation covers more than 5000 companies. The recommendations are based on the proprietary ValuEngine one-year forecast return model output for each individual equity. ValuEngine's Five-Engine rating stocks have an averaged annual return of 13.08% since 2002.

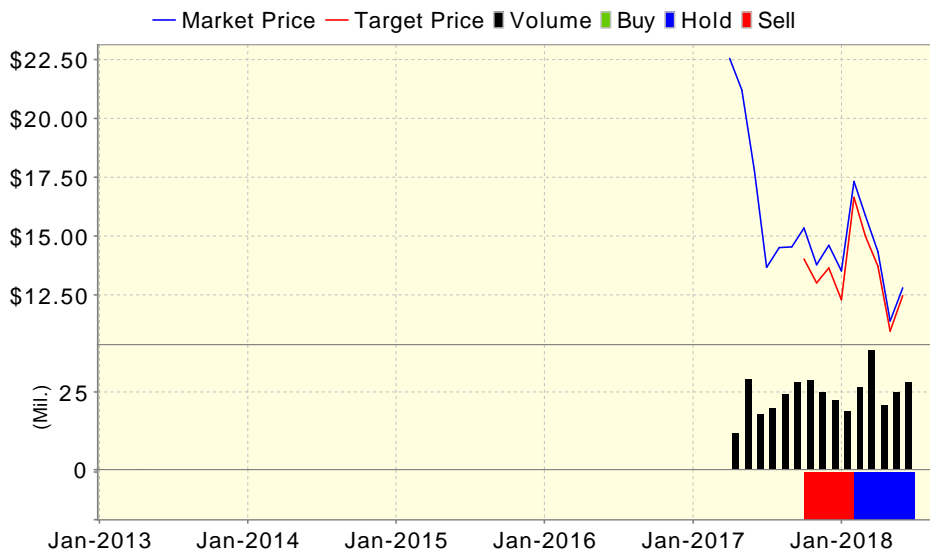
FORECAST ANALYSIS

	Target Price	Exp. Return
1-Month	\$12.77	-0.21%
3-Month	\$13.24	3.43%
6-Month	\$13.30	3.94%
1-Year	\$12.47	-2.57%
2-Year	\$14.05	9.76%
3-Year	\$14.54	13.56%

The predictive variables used in ValuEngine's forecast model include both proprietary and well-established variables derived from credible financial studies and publications. We use a distinct forecasting model for each time horizon and apply the most advanced statistical/econometric techniques to ensure that our stock return forecasts are as reliable as possible.

[Click for more information on ValuEngine's models.](#)

PRICE AND RECOMMENDATION HISTORY



Most Recent Recommendation Changes

Feb 16, 2018

Upgrade to Hold

Past Performance

Last One Month	19.51%
Last Three Month	-20.00%
Last Six Month	-17.42%
Last One Year	-26.05%

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ValuEngine's fundamentally-based, quant-derived research is now available to private investors. ValuEngine's research will enhance your ability to evaluate individual stocks, manage your portfolio and allocate capital for maximum returns. ValuEngine currently covers @5500 US equities as well as most major Canadian stocks.

Rating and Forecast Report

SNAP INC (NYSE: SNAP)



Report Date: Jun 21, 2018

VALUENGINE EVALUATION & RANKINGS

	Value	Rank
1-Yr Forecast	-2.57%	35
1-Yr Momentum	-26.05%	9
P/E Ratio		17
Market Cap	8.47B	87
EPS Growth	2.49%	22
5-Yr Avg Return	-58.47%	9
Volatility	46.09%	36
Sharpe Ratio	-1.27	4
P/S Ratio	9.35	13
M/B Ratio	4.26	33
Surprise	1.49%	42
Beta	-2.66	98

Just as important as the percentages shown for our predictive variables for each stock is the way they are ranked against @7000 stocks in our database. This is sometimes confusing to newcomers to ValuEngine. Each of these quantitative measurements is ranked on a scale of 1 to 100. Generally the higher the ranking, the more positive the influence each measurement has on the overall attractiveness of the stock. In other words a high rank is always better. For example:

Forecast rank 35: 65% of stocks have higher forecast returns.

Momentum rank 9: 91% of stocks have higher momentum.

P/E rank 17: 83% of stocks have lower P/E ratios.

Size rank 87: 13% of stocks have higher market capitalization.

Volatility rank 36: 64% of stocks have less volatility.

COMPARISON TO INDUSTRY

1-Yr Forecast	Rank
SNAP -2.57%	35
Industry 8.07%	84
Sector 2.89%	64

EPS Growth	Rank
SNAP 2.49%	22
Industry 45.93%	50
Sector 42.94%	51

1-Yr Momentum	Rank
SNAP -26.05%	9
Industry 59.22%	76
Sector 27.80%	58
S&P 500 13.55%	61

5-Yr Avg Return	Rank
SNAP -58.47%	9
Industry -1.64%	52
Sector 3.73%	57
S&P 500 3.05%	57

Valuation	Rank
SNAP	
Industry 39.52%	26
Sector 19.11%	39

P/S Ratio	Rank
SNAP 9.35	13
Industry 6.36	39
Sector 4.40	50

P/E Ratio	Rank
SNAP	17
Industry 47.49	30
Sector 32.45	44

M/B Ratio	Rank
SNAP 4.26	33
Industry 9.96	30
Sector 8.18	40

Market Cap (bil.)	Rank
SNAP 8.47	87
Industry 2.87	45
Sector 9.12	49

Surprise	Rank
SNAP 1.49%	42
Industry 23.40%	62
Sector 7.67%	55

Volatility	Rank
SNAP 46.09%	36
Industry 69.99%	32
Sector 56.33%	39
S&P 500 19.24%	71

SharpeRatio	Rank
SNAP -1.27	4
Industry 0.06	50
Sector 0.15	54
S&P 500 0.16	60

Rating and Forecast Report

SNAP INC (NYSE: SNAP)



Report Date: Jun 21, 2018

COMPARISON WITH PEERS

Return Forecast : Expected Return

Ticker	Company Name	VE Rating	1-Mon	3-Mon	6-Mon	1-Yr	2-Yr	3-Yr
SNAP	SNAP INC	3	-0.21%	3.43%	3.94%	-2.57%	9.76%	13.56%
FFIV	F5 NETWORKS INC	4	0.81%	2.04%	5.03%	9.74%	18.92%	22.23%
VEEV	VEEVA SYSTEMS-A	4	0.92%	2.64%	5.67%	11.02%	16.45%	16.54%
LN	LINE CORP -ADR	3	0.21%	2.45%	3.95%	2.54%	10.39%	12.73%
MFGP	MICRO FOCUS INT	4	0.41%	1.36%	4.04%	4.98%	28.07%	41.54%

1-Yr Forecast

Ticker	Forecast	Rank
SNAP	-2.57%	35
FFIV	9.74%	94
VEEV	11.02%	96
LN	2.54%	66
MFGP	4.98%	80

1-Yr Momentum

Ticker	Momentum	Rank
SNAP	-26.05%	35
FFIV	41.24%	85
VEEV	37.83%	83
LN	4.41%	45
MFGP		

Valuation

Ticker	Valuation	Rank
SNAP		
FFIV	28.04%	17
VEEV	40.30%	11
LN		
MFGP		

P/E Ratio

Ticker	P/E Ratio	Rank
SNAP		17
FFIV	24.70	52
VEEV	115.27	32
LN	129.89	32
MFGP	8.54	94

Market Cap (bil.)

Ticker	Market Cap	Rank
SNAP	8.47	87
FFIV	13.23	91
VEEV	11.02	89
LN	8.00	86
MFGP	7.90	86

Volatility

Ticker	Volatility	Rank
SNAP	46.09%	36
FFIV	25.40%	58
VEEV	41.35%	39
LN	31.99%	49
MFGP	93.25%	14

EPS Growth

Ticker	EPS Growth	Rank
SNAP	2.49%	22
FFIV	5.97%	27
VEEV	43.64%	71
LN	28.41%	61
MFGP	3.88%	24

5-Yr Avg Return

Ticker	5-Yr Avg Return	Rank
SNAP	-58.47%	9
FFIV	14.65%	82
VEEV	14.99%	83
LN	-0.58%	44
MFGP	-88.36%	5

P/S Ratio

Ticker	P/S Ratio	Rank
SNAP	9.35	13
FFIV	6.26	18
VEEV	15.24	9
LN	4.68	24
MFGP		

M/B Ratio

Ticker	M/B Ratio	Rank
SNAP	4.26	33
FFIV	19.72	9
VEEV	12.98	12
LN	5.36	28
MFGP		

Surprise

Ticker	Surprise	Rank
SNAP	1.49%	42
FFIV	8.32%	63
VEEV	1.77%	43
LN		
MFGP		

SharpeRatio

Ticker	SharpeRatio	Rank
SNAP	-1.27	4
FFIV	0.58	80
VEEV	0.36	71
LN	-0.02	45
MFGP	-0.95	7

Rating and Forecast Report

SNAP INC (NYSE: SNAP)



Report Date: Jun 21, 2018

ANALYST OPINIONS

Hold

The mean recommendation was calculated from the numbers provided by Zacks.

Current Mean: 2.64

Number of Analyst: 25

Strong Buy: 3

Buy: 1

Hold: 13

Sell: 0

Strong Sell: 8

Recommendation Mean Trend

Three Month Ago: 2.88

Two Month Ago: 2.88

One Month Ago: 2.71

Current: 2.64

EPS CONSENSUS EXPECTATIONS

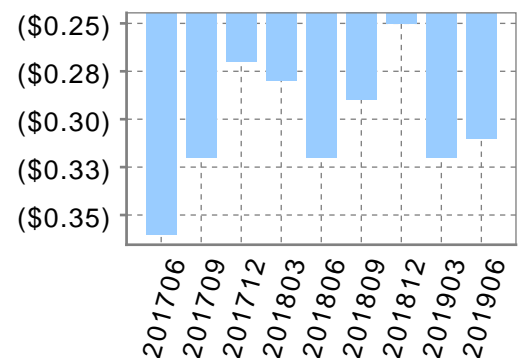
Quarter	201806	201809	201812	201903	201906
Mean	\$-0.32	\$-0.29	\$-0.25	\$-0.32	\$-0.31
# of Estimates	8	8	8	1	1
High	\$-0.29	\$-0.24	\$-0.22	\$-0.32	\$-0.31
Low	\$-0.34	\$-0.32	\$-0.30	\$-0.32	\$-0.31
Same Qtr Last Yr	\$-0.36	\$-0.32	\$-0.27	\$-0.28	\$-0.32
% Growth	11.81	8.59	7.41	-14.29	2.36

Qtr/Year/LTG	201806	201809	2018	2019	LTG
Mean - Current	\$-0.32	\$-0.29	\$-1.15	\$-0.94	
Mean - 7 Days Ago	\$-0.32	\$-0.29	\$-1.15	\$-0.94	
Mean - 30 Days Ago	\$-0.32	\$-0.29	\$-1.17	\$-0.93	
Mean - 60 Days Ago	\$-0.31	\$-0.29	\$-1.17	\$-0.89	
Mean - 90 Days Ago	\$-0.31	\$-0.29	\$-1.17	\$-0.89	

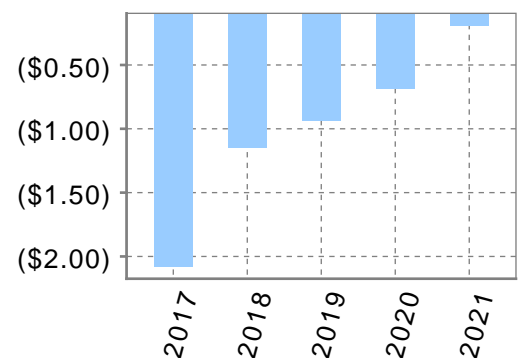
Year/LTG	2018	2019	2020	2021	LTG
Mean	\$-1.15	\$-0.94	\$-0.69	\$-0.19	
# of Estimates	9	8	3	2	0
High	\$-1.02	\$-0.62	\$-0.58	\$-0.10	
Low	\$-1.23	\$-1.20	\$-0.75	\$-0.29	
Previous Year	\$-2.08	\$-1.15	\$-0.94	\$-0.69	
% Growth	44.55	18.28	26.79	71.74	

Quarter	201706	201709	201712	201803
Estimated EPS	\$-0.29	\$-0.31	\$-0.33	\$-0.33
Actual EPS	\$-0.36	\$-0.32	\$-0.27	\$-0.28
Difference	\$-0.07	\$-0.01	\$0.06	\$0.05
% Surprise	-24.14	-3.23	18.18	15.15

Quarterly EPS Trend



Annual EPS Trend



BUSINESS SUMMARY

Snap Inc. provides technology and social media services. The Company's principal product Snapchat, is a camera application that helps people to communicate through short videos and images. Snap Inc. is headquartered in Venice, California.

Rating and Forecast Report

SNAP INC (NYSE: SNAP)



Report Date: Jun 21, 2018

ANNUAL FINANCIALS (All numbers in millions)

Balance Sheet	201512	201612	201712
Cash	640.81	150.12	334.06
Marketable Securities		837.25	1709
Receivables	44.32	162.66	279.47
Inventory			
Raw Materials			
Work in Progress			
Finished Goods			
Notes Receivable			
Other Current Assets	7.42	29.96	44.28
Total Current Assets	692.56	1180	2367
Property, Plant & Equipment			204.53
Accumulated Depreciation			37.76
Net Property, Plant & Equipment	44.07	100.59	166.76
Investment & Advances			
Other non-current Assets			
Deferred Charges			
Intangibles	177.17	395.12	806.36
Deposits & other assets	25.11	47.10	81.66
TOTAL ASSETS	938.93	1723	3422
Notes Payable			
Accounts Payable	0.70	8.42	71.19
Current Portion of Long-term Debt			
Current Portion of Capital Leases			
Accrued Expenses	155.55	148.33	275.06
Income Taxes Payable			
Other Current Liabilities			
Total Current Liabilities	156.25	156.74	346.26
Mortgages			
Deferred Charges (taxes/income)			
Convertible Debt			
Long Term Debt			
Non-Current Capital Leases			
Other Long-Term Liabilities	18.53	47.13	82.98
TOTAL LIABILITIES	174.79	203.88	429.24
Minority Interest (liabilities)			
Preferred Stock		0.01	
Common Stock, Net	0.01	0.01	0.01
Capital Surplus	1467	2729	7635
Retained Earnings	-693.21	-1208	-4657
Treasury Stock			
Other Liabilities	-10.00	-2.06	14.16
SHAREHOLDERS' EQUITY	764.14	1519	2992
TOTAL LIABILITES & SHAREHOLDERS EQUITY	938.93	1723	3422

Rating and Forecast Report

SNAP INC (NYSE: SNAP)



Report Date: Jun 21, 2018

ANNUAL FINANCIALS (All numbers in millions)

Income Statement	201512	201612	201712
Net Sales or Revenues	58.66	404.48	824.95
Cost of Goods Sold	182.34	451.66	717.46
Gross Profit	-123.67	-47.18	107.49
Research & Development Expense	82.23	183.68	1535
Selling, General, & Admin. Expense	175.81	289.53	2058
Income Before Deprec., Depletion, Amort.	-381.72	-520.39	-3486
Depreciation, Depletion, Amortization			
Non-Operating Income	1.24	0.09	25.62
Interest Expense		1.42	3.46
Pretax Income	-380.48	-521.72	-3463
Provision for Income Taxes	-7.58	-7.08	-18.34
Minority Interest			
Investment Gains (Losses)			
Other Income			
Income Before Extraordinaries & Disc Operations	-372.89	-514.64	-3445
Extraordinary Items & Discontinued Operations			
Net Income	-372.89	-514.64	-3445
EPS - Basic, net		-0.64	-2.95
EPS - Diluted, net		-0.64	-2.95
EPS - Diluted, before non-recurring items			-2.08
Cash Flow Statement	201512	201612	201712
Net Income (Cash Flow)	-372.89	-514.64	-3445
Depreciation, Depletion, Amortization-CF	15.30	29.12	61.29
Net Increase (decrease) in Assets/Liabilities	-15.48	-150.50	11.06
Cash from (used in) Discontinued Operations			
Other Adjustments - Net	66.45	24.78	2638
Net Cash from (used by) Operating Activities	-306.62	-611.25	-734.67
(increase) Decrease in Prop, Plant, & Equipment	-19.20	-66.44	-84.52
Acquisition/disposition of subsidiaries, othr bus	-48.73	-104.00	-386.01
Increase (decrease) in investments	-9.55	-843.27	-878.37
Other Cash inflow from investment activities	-23.45	-7.62	2.16
Net Cash from (used by) investment activities	-100.94	-1021	-1347
Issuance (purchase) of equity shares	650.36	1147	2275
Issuance (repayment) of debt securities			
Increase (decrease) in bank & other borrowings			
Payment of dividends & other cash distributions			
Other cash from (used by) financing activities		-5.40	-9.67
Net Cash from (used by) Financing Activities	650.36	1142	2265
Effect of Exchange Rate Changes on Cash			
Net Change in Cash & Cash Equivalents	242.80	-490.69	183.94
Cash & Equivalents at beginning of year	398.00	640.81	150.12
Cash & Equivalents at year end	640.81	150.12	334.06

Rating and Forecast Report

SNAP INC (NYSE: SNAP)



Report Date: Jun 21, 2018

QUARTERLY FINANCIALS (All numbers in millions)

Balance Sheet	201512	201612	201703	201706	201709	201712	201803
Cash	640.81	150.12	1427	501.68	317.55	334.06	466.32
Marketable Securities		837.24	1815	2296	1981	1709	1355
Receivables	44.32	162.65	147.68	171.53	194.97	279.47	231.41
Inventory							
Raw Materials							
Work in Progress							
Finished Goods							
Notes Receivable							
Other Current Assets	7.42	29.95	72.97	77.78	54.69	44.28	58.47
Total Current Assets	692.56	1180	3463	3047	2548	2367	2111
Property, Plant & Equipment						204.53	
Accumulated Depreciation						37.76	
Net Property, Plant & Equipment	44.07	100.58	116.13	128.03	143.11	166.76	191.04
Investment & Advances							
Other non-current Assets							
Deferred Charges							
Intangibles	177.17	395.11	411.99	638.83	777.44	806.36	802.23
Deposits & other assets	25.11	47.10	50.45	61.72	74.10	81.66	77.52
TOTAL ASSETS	938.93	1723	4042	3875	3542	3422	3182
Notes Payable							
Accounts Payable	0.70	8.41	13.85	17.77	15.21	71.19	28.56
Current Portion of Long-term Debt							
Current Portion of Capital Leases							
Accrued Expenses	155.55	148.32	228.44	240.54	280.96	275.06	272.80
Income Taxes Payable							
Other Current Liabilities							
Total Current Liabilities	156.25	156.74	242.29	258.31	296.16	346.26	301.36
Mortgages							
Deferred Charges (taxes/income)							
Convertible Debt							
Long Term Debt							
Non-Current Capital Leases							
Other Long-Term Liabilities	18.53	47.13	63.97	76.26	70.95	82.98	88.83
TOTAL LIABILITIES	174.79	203.87	306.26	334.57	367.11	429.24	390.18
Minority Interest (liabilities)							
Preferred Stock		0.01					
Common Stock, Net	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Capital Surplus	1467	2729	7158	7401	7470	7635	7813
Retained Earnings	-693.21	-1208	-3420	-3864	-4307	-4657	-5042
Treasury Stock							
Other Liabilities	-10.00	-2.05	-1.64	3.59	11.68	14.16	20.96
SHAREHOLDERS' EQUITY	764.14	1519	3736	3541	3175	2992	2792
TOTAL LIABILITES & SHAREHOLDERS	938.93	1723	4042	3875	3542	3422	3182

Rating and Forecast Report

SNAP INC (NYSE: SNAP)



Report Date: Jun 21, 2018

QUARTERLY FINANCIALS (All numbers in millions)

Income Statement	201606	201609	201612	201703	201706	201709	201712	201803
Net Sales or Revenues	71.80	128.20	165.70	149.65	181.67	207.94	285.69	230.67
Cost of Goods Sold	94.75	127.78	153.36	163.36	152.15	210.71	191.25	196.80
Gross Profit	-22.95	0.42	12.33	-13.71	29.52	-2.77	94.45	33.87
Research & Development Expense	36.05	54.56	64.97	805.85	255.74	239.44	233.84	200.99
Selling, General, & Admin. Expense	56.84	76.83	117.12	1394	222.81	219.61	221.57	225.41
Income Before Deprec., Depletion, Amort.	-115.85	-130.96	-169.75	-2214	-449.02	-461.83	-360.96	-392.53
Depreciation, Depletion, Amortization								
Non-Operating Income	-0.06	0.51	0.26	2.61	7.14	7.26	8.62	9.26
Interest Expense		0.64	0.78	0.70	1.00	0.89	0.88	0.93
Pretax Income	-115.92	-131.09	-170.26	-2212	-442.88	-455.46	-353.22	-384.21
Provision for Income Taxes	-0.03	-6.87	-0.30	-3.01	0.21	-12.30	-3.24	1.58
Minority Interest								
Investment Gains (Losses)								
Other Income								
Income Before Extraordinaries & Disc	-115.89	-124.22	-169.96	-2209	-443.09	-443.16	-349.98	-385.79
Extraordinary Items & Discontinued								
Net Income	-115.89	-124.22	-169.96	-2209	-443.09	-443.16	-349.98	-385.79
EPS - Basic, net	-0.14			-2.31	-0.36	-0.36	0.08	-0.30
EPS - Diluted, net	-0.14			-2.31	-0.36	-0.36	0.08	-0.30
EPS - Diluted, before non-recurring items	-0.14			-2.31	-0.36	-0.32	-0.27	-0.28
Cash Flow Statement	201606	201609	201612	201703	201706	201709	201712	201803
Net Income (Cash Flow)	-220.47	-344.69	-514.64	-2209	-2652	-3095	-3445	-385.79
Depreciation, Depletion, Amortization-CF	11.04	18.48	29.11	12.45	25.04	42.50	61.29	21.55
Net Increase (decrease) in	-29.32	-134.78	-150.49	48.87	28.61	31.27	11.06	2.15
Cash from (used in) Discontinued								
Other Adjustments - Net	12.09	17.48	24.77	1993	2234	2463	2638	130.10
Net Cash from (used by) Operating	-226.65	-443.51	-611.24	-155.00	-364.57	-558.58	-734.67	-231.98
(increase) Decrease in Prop, Plant, &	-28.87	-46.06	-66.44	-17.99	-37.36	-63.31	-84.52	-36.32
Acquisition/disposition of subsidiaries, othr	-50.93	-68.09	-104.00	-18.01	-224.18	-352.41	-386.01	
Increase (decrease) in investments	-882.89	-1019	-843.27	-978.79	-1465	-1148	-878.37	355.62
Other Cash inflow from investment	-20.63	-7.62	-7.62		2.18	1.87	2.16	-0.06
Net Cash from (used by) investment	-983.33	-1141	-1021	-1015	-1725	-1562	-1347	319.25
Issuance (purchase) of equity shares	1157	1147	1147	2452	2450	2297	2275	45.26
Issuance (repayment) of debt securities								
Increase (decrease) in bank & other								
Payment of dividends & other cash								
Other cash from (used by) financing			-5.39	-5.02	-9.37	-9.67	-9.67	
Net Cash from (used by) Financing	1157	1147	1142	2447	2441	2288	2265	45.26
Effect of Exchange Rate Changes on								
Net Change in Cash & Cash Equivalents	-52.84	-437.35	-490.68	1277	351.56	167.43	183.94	132.52
Cash & Equivalents at beginning of year	640.81	640.81	640.81	150.12	150.12	150.12	150.12	337.01
Cash & Equivalents at year end	587.97	203.45	150.12	1427	501.68	317.55	334.06	469.53

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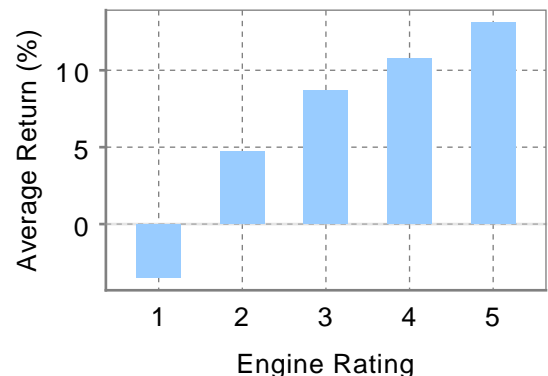
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Engine Rating and Average Annual Return
(Jan 2002 - May 2018)



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MarketLine Company Report

Snap Inc

June 2018

REFERENCE CODE: D392121F-033F-4AD1-B31A-1E65CADC760D

PUBLICATION DATE: June 2018

WWW.MARKETLINE.COM

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MarketLine

COMPANY SNAPSHOT

Reference Code : D392121F-033F-4AD1-B31A-1E65CADC760D

Publication Date: June 2018

Snap Inc

Phone: 1 310 3993339

63 Market St

Website: www.snap.com

Venice

California

United States

90291-3603

Overview

Snap Inc (Snap) is a social media company that develops mobile applications used for communication. The company primarily provides camera applications for mobiles. Its product portfolio include snapchat: application that provides communication services to the people via short videos and images; camera; chat service: that includes text Chat, video and voice calling, stickers, bitmojis, and group Chat; story telling platform; memories: that provides an option of saving the customer's snaps in personal collection; publisher tools: that offers tools for partners to build, edit, and publish snaps and attachments based on the customer's requirements; and spectacles. Snap is headquartered in Venice, California, the US.

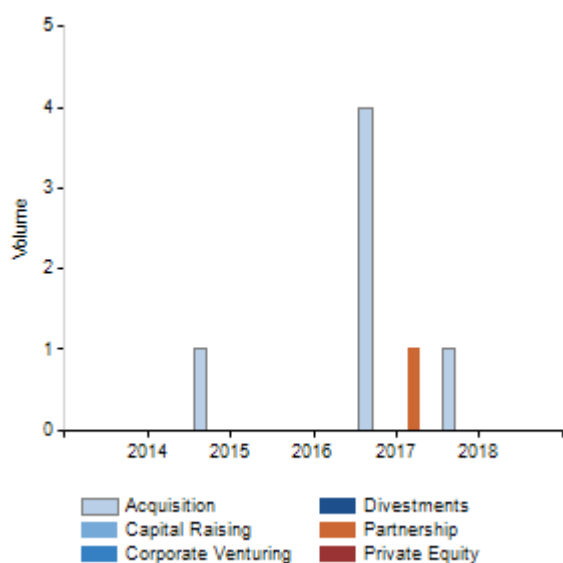
The company reported revenues of (US Dollars) US\$825 million for the fiscal year ended December 2017 (FY2017), compared to a revenue of US\$404.5 million in FY2016. The operating loss of the company was US\$3,485.6 million in FY2017, compared to an operating loss of US\$520.4 million in FY2016. The net loss of the company was US\$3,445.1 million in FY2017, compared to a net loss of US\$514.6 million in FY2016.

Key Employees

Employee Name	Job Title	Board
Evan Spiegel	Chief Executive Officer, Director	Executive Board
Robert Murphy	Chief Technology Officer, Director	Executive Board
Imran Khan	Chief Strategy Officer	Senior Management
Michael O Sullivan	General Counsel	Senior Management

Financial Deals Activity Overview

Snap Inc: Deal Activity by Deal Type (2014 - YTD*2018)



SOURCE: MARKETLINE

Snap Inc: Recent Deal Activity

24 Mar 2018	Snap Acquires PlayCanvas
03 Nov 2017	Snap Acquires Metamarkets
17 Oct 2017	NBCUniversal Media Forms Joint Venture with Snap
22 Jun 2017	Snap Acquires Zenly
26 May 2017	Snap Acquires CTRL Me Robotics

SOURCE: MARKETLINE

Recent Developments

Date	Headline	Category
Jun 18, 2018	Budweiser launches sound-activated World Cup Snapchat lens	Business Expansion-->Products/brands launch;Financial Deals-->Partnership / Strategic Alliance
Jun 18, 2018	Snapchat Gains Super Powers with Incredibles 2 Augmented Reality Experience	Contracts-->Engineering and Development Contracts-->Operation and Management
Jun 14, 2018	Snapchat launches its developer platform, promises to put privacy first	Business Expansion-->Products/brands launch
Jun 8, 2018	SeatGeek brings ticket buying into Snapchat	Financial Deals-->Partnership / Strategic Alliance;Contracts-->Engineering and Development Contracts-->Operation and Management

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SNAP INC: COMPANY OVERVIEW

Snap Inc: Overview and Key Facts

Snap Inc: Overview

Snap Inc (Snap) is a social media company that develops mobile applications used for communication. The company primarily provides camera applications for mobiles. Its product portfolio include snapchat: application that provides communication services to the people via short videos and images; camera; chat service: that includes text Chat, video and voice calling, stickers, bitmojis, and group Chat; story telling platform; memories: that provides an option of saving the customer's snaps in personal collection; publisher tools: that offers tools for partners to build, edit, and publish snaps and attachments based on the customer's requirements; and spectacles. Snap is headquartered in Venice, California, the US.

The company reported revenues of (US Dollars) US\$825 million for the fiscal year ended December 2017 (FY2017), compared to a revenue of US\$404.5 million in FY2016. The operating loss of the company was US\$3,485.6 million in FY2017, compared to an operating loss of US\$520.4 million in FY2016. The net loss of the company was US\$3,445.1 million in FY2017, compared to a net loss of US\$514.6 million in FY2016.

Snap Inc: Key Facts

Table 1: Snap Inc: Key Facts	
Corporate Address:	63 Market St
	Venice
	California
Country:	United States
	90291-3603
Phone:	1 310 3993339
Web Address:	www.snap.com
Turnover (US\$m):	825
Employees:	1,859
Financial Year End:	December
SOURCE: MARKETLINE	

Snap Inc: Key Employees

Table 2: Snap Inc: Key Employees

Employee Name	Job Title	Board	Since
Evan Spiegel	Chief Executive Officer, Director	Executive Board	2012
Robert Murphy	Chief Technology Officer, Director	Executive Board	2012
Imran Khan	Chief Strategy Officer	Senior Management	2015
Michael O Sullivan	General Counsel	Senior Management	2017
Steven Horowitz	Vice President-Hardware	Senior Management	2015
Tim Stone	Chief Financial Officer	Senior Management	2018
Timothy Sehn	Senior Vice President- Engineering	Senior Management	2013
A.G. Lafley	Director	Non Executive Board	2016
Joanna Coles	Director	Non Executive Board	2015
Michael Lynton	Director	Non Executive Board	2013
Mitchell Lasky	Director	Non Executive Board	2012
Scott D. Miller			2016
Stanley Meresman			2015
SOURCE:MARKETLINE			

Snap Inc: Major Products and Services

Snap is a social media company that develops mobile applications used for communication. The major products offered by the company includes:

Products:

- Snapchat
- Camera
- Chat Service
- Memories
- Publisher Tools
- Spectacles

Snap Inc: Company History

Year 2017 : Contracts/Agreements; In November, BMW entered into a collaboration agreement with Snapchat, to preview the new X2 SUV.

Year 2017 : Acquisitions/Mergers/Takeovers; In November, the company acquired Metamarkets., a provider of programmatic ad data-related services.

Year 2017 : New Products/Services; In September, Snapchat announced expansion of in-app geofilter-making tool services to Europe.

Year 2018 : New Products/Services; In May, the company introduced sound recognition to its augmented reality arsenal.

Year 2018 : Acquisitions/Mergers/Takeovers; In March, the company acquired PlayCanvas, UK-based WebGL engine company.

Snap Inc: Key Competitors

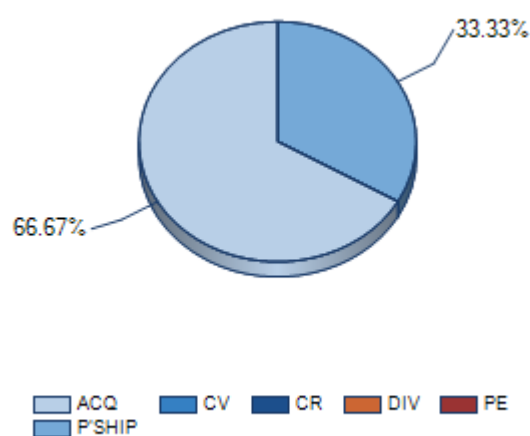
Table 3: Snap Inc: Key Competitors

Facebook, Inc.	Google LLC
Naver Corp	Tencent Holdings Limited
Twitter, Inc.	
SOURCE: MARKETLINE	

SNAP INC: CORPORATE FINANCIAL DEALS ACTIVITY

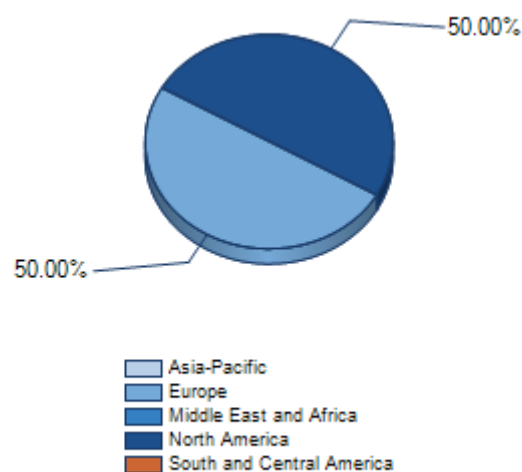
Snap Inc: Financial Deals Overview

Figure 1: Snap Inc: Deal Activity by Deal Type - Volume (TTM*)



SOURCE: MARKETLINE

Figure 2: Snap Inc: M&A Activity by Geography (TTM*)



SOURCE: MARKETLINE

Table 4: Snap Inc: Deal Activity by Deal Type - Volume (TTM*)

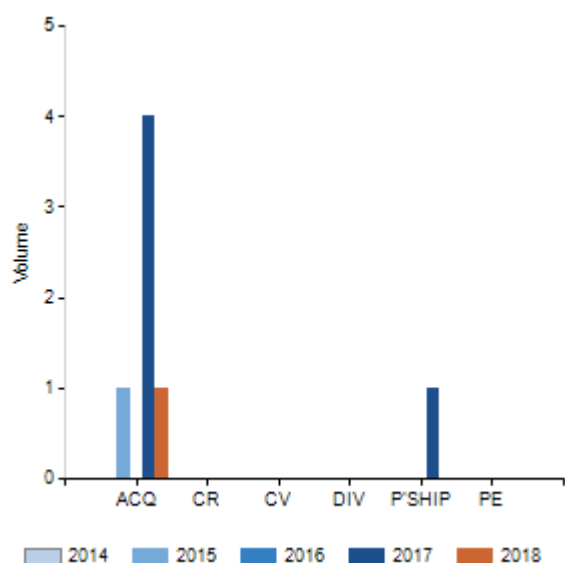
Deal Type	Deal Volume
Acquisition	2
Partnership	1
Corporate Venturing	-
Capital Raising	-
Divestments	-
Private Equity	-

SOURCE: MARKETLINE

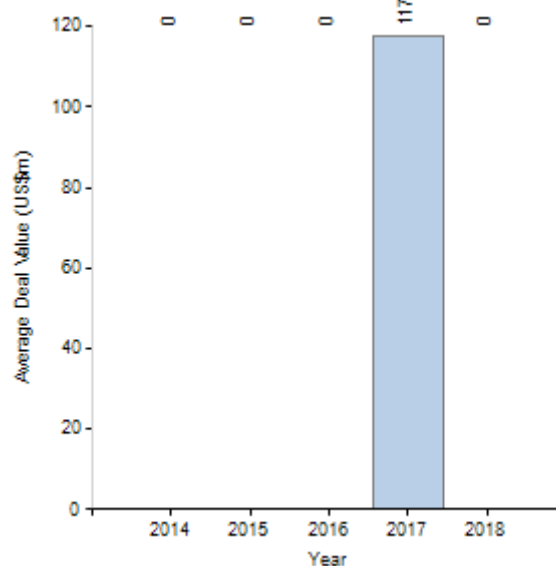
Table 5: Snap Inc: M&A Activity by Geography (TTM*)

Geography	Deal Volume
Asia-Pacific	-
Europe	1
Middle East and Africa	-
North America	1
South and Central America	-

SOURCE: MARKETLINE

Figure 3: Snap Inc: Deal Activity by Deal Type - Volume (2014 - YTD*2018)


SOURCE: MARKETLINE

Figure 4: Snap Inc: M&A Average Deal Size - Value (US\$m)


SOURCE: MARKETLINE

Table 6: Snap Inc: Deal Activity by Deal Type - Volume (2014 - YTD*2018)

Deal Type	2014	2015	2016	2017	2018
ACQ	-	1	-	4	1
CR	-	-	-	-	-
CV	-	-	-	-	-
DIV	-	-	-	-	-
P'SHIP	-	-	-	1	-
PE	-	-	-	-	-
Total	-	1	-	5	1

SOURCE: MARKETLINE

Table 7: Snap Inc: M&A Average Deal Size - Value (US\$m)

Year	Deal Volume	Average Deal Size (US\$m)
2014	-	-
2015	1	-
2016	-	-
2017	4	117.8
2018	1	-

SOURCE: MARKETLINE

*ACQ = Acquisition; CR = Capital Raising; CV = Corporate Venturing; DIV = Divestment; P'SHIP = Partnership; PE =Private Equity & Ownership

Snap Inc: Targets and Partners

Table 8: Snap Inc: Targets and Partners

Snap Inc-Target/Partner (Country)	Deal Headline	Deal Type	Deal Date	Deal Value (US\$m)
PlayCanvas Ltd (United Kingdom)	Snap Acquires PlayCanvas	Acquisition	Mar 24, 2018	-
Metamarkets Group, Inc. (United States)	Snap Acquires Metamarkets	Acquisition	Nov 03, 2017	100
NBCUniversal Media LLC (United States)	NBCUniversal Media Forms Joint Venture with Snap	Partnership	Oct 17, 2017	-
Zenly S.A.S. (France)	Snap Acquires Zenly	Acquisition	Jun 22, 2017	350
Ctrl Me Robotics (United States)	Snap Acquires CTRL Me Robotics	Acquisition	May 26, 2017	1
Undisclosed Company	Snap Acquires 100% Stake of Cloud-Hosted Platform Company	Acquisition	Mar 31, 2017	20
SOURCE:MARKETLINE				

Snap Inc: Top Deals 2014 - 2018YTD*

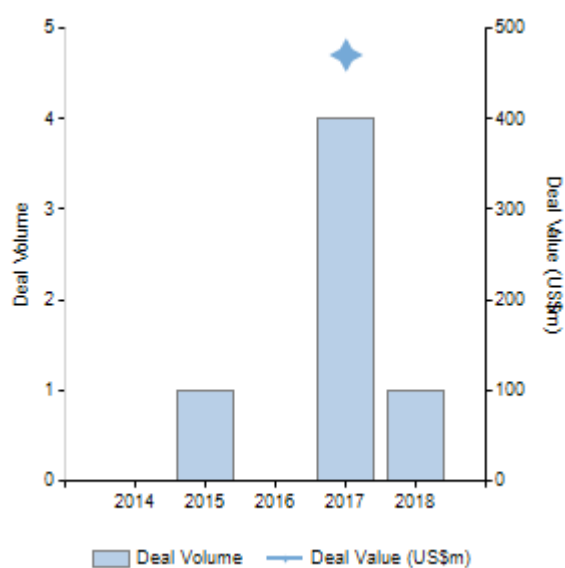
Table 9: Snap Inc: Top Deals 2014 - 2018YTD*

Target/Partner (Country)	Deal Headline	Deal Date	Deal Status	Deal Type	Deal Value (US\$m)
PlayCanvas Ltd (United Kingdom)	Snap Acquires PlayCanvas	24 Mar 2018	Completed	Acquisition	-
Metamarkets Group, Inc. (United States)	Snap Acquires Metamarkets	03 Nov 2017	Completed	Acquisition	100
NBCUniversal Media LLC (United States)	NBCUniversal Media Forms Joint Venture with Snap	17 Oct 2017	Completed	Partnership	-
Zenly S.A.S. (France)	Snap Acquires Zenly	22 Jun 2017	Completed	Acquisition	350
Ctrl Me Robotics (United States)	Snap Acquires CTRL Me Robotics	26 May 2017	Completed	Acquisition	1
Undisclosed Company	Snap Acquires 100% Stake of Cloud-Hosted Platform Company	31 Mar 2017	Completed	Acquisition	20
	Snap Acquires Intellectual Property of Drop (Drop Messages)	31 Dec 2015	Completed	Acquisition	-

SOURCE:MARKETLINE

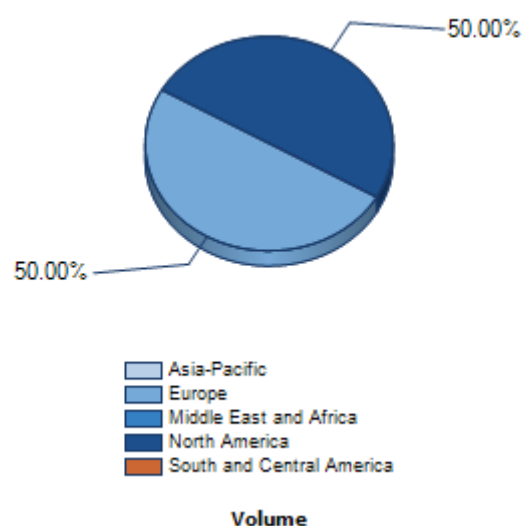
Snap Inc: Mergers and Acquisitions

Figure 5: Snap Inc: M&A Volume and Value Trend (2014 - YTD*2018)



SOURCE: MARKETLINE

Figure 6: Snap Inc: M&A Activity by Geography (2014 - YTD*2018)



SOURCE: MARKETLINE

Table 10: Snap Inc: M&A Volume and Value Trend (2014 - YTD*2018)

Year	Deal Volume	Deal Value (US\$m)
2014	-	-
2015	1	-
2016	-	-
2017	4	471
2018	1	-

SOURCE: MARKETLINE

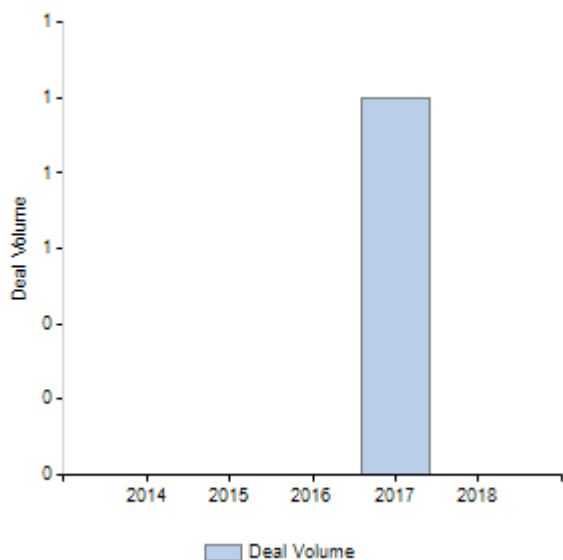
Table 11: Snap Inc: M&A Activity by Geography (2014 - YTD*2018)

Geography	Deal Volume
Asia-Pacific	-
Europe	2
Middle East and Africa	-
North America	2
South and Central America	-

SOURCE: MARKETLINE

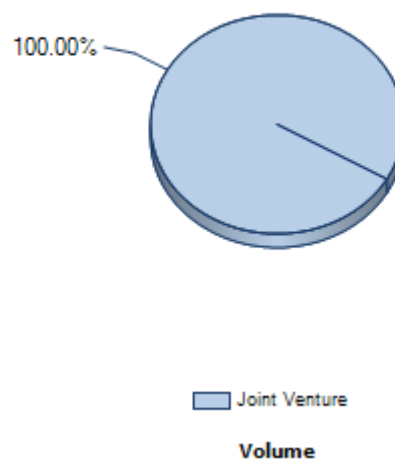
Snap Inc: Partnership

Figure 7: Snap Inc: Partnership Volume and Value Trend (2014 - YTD*2018)



SOURCE: MARKETLINE

Figure 8: Snap Inc: Partnership Trend by Deal Type (2014 - YTD*2018)



SOURCE: MARKETLINE

Table 12: Snap Inc: Partnership Volume and Value Trend (2014 - YTD*2018)

Year	Deal Volume	Deal Value (US\$m)
2014	-	-
2015	-	-
2016	-	-
2017	1	-
2018	-	-

SOURCE: MARKETLINE

Table 13: Snap Inc: Partnership Trend by Deal Type (2014 - YTD*2018)

Deal Type	Deal Volume
Joint Venture	1

SOURCE: MARKETLINE

SNAP INC: RECENT DEVELOPMENTS

Snap Inc: News and Events Summary

Table 14: Snap Inc: News and Events Summary

Date	Headline	Category
Jun 18, 2018	Budweiser launches sound-activated World Cup Snapchat lens Budweiser, the official beer of the 2018 FIFA World Cup, has partnered with Snapchat to unveil the world's first sponsored, sound-activated lens.	Business Expansion-->Products/ brands launch;Financial Deals-->Partnership / Strategic Alliance
Jun 18, 2018	Snapchat Gains Super Powers with Incredibles 2 Augmented Reality Experience Available via Snapchat, the AR experience places the familiar mask of the movie's super family on your face, and simple finger taps on the smartphone's screen activate various virtual superpowers.	Contracts-->Engineering and Development Contracts-->Operation and Management
Jun 14, 2018	Snapchat launches its developer platform, promises to put privacy first Snapchat officially launching SnapKit, it's developer platform, which allows developers to bring Snapchat features, like Bitmoji and Stories, into their apps.	Business Expansion-->Products/ brands launch
Jun 8, 2018	SeatGeek brings ticket buying into Snapchat You can now buy game and concert tickets from teams and musicians within Snapchat, thanks to an integration with SeatGeek. While Snapchat has started testing e-commerce features in the past few months, SeatGeek says this is the first ticket-buying experie...	Financial Deals-->Partnership / Strategic Alliance;Contracts-->Engineering and Development Contracts-->Operation and Management
May 30, 2018	Snapchat Adds Sound Recognition to Its Augmented Reality Arsenal As Facebook, Apple, Samsung, and others offer augmented reality selfie effects and content that challenge its platform, Snapchat has continued to innovate with its augmented reality capabilities.	Research & Development-->Technology/ product
May 7, 2018	Snap chief financial officer will step down and be replaced with an Amazon executive Snap Inc. Chief Financial Officer Drew Vollero is stepping down later this month to be replaced by a longtime Amazon executive, Tim Stone.	Corporate Governance-->Management change

May 1, 2018	Snap Inc. Reports First Quarter 2018 Results Snap Inc. announced financial results for the quarter ended March 31, 2018.	Financial Performance
Apr 18, 2018	Snapchat launches 'shoppable' augmented reality feature in Lenses Snapchat is rolling out a new 'shoppable' augmented reality (AR) Lens feature for advertisers around the world.	Business Expansion-->Products/ brands launch
Mar 30, 2018	Snapchat Lays Off Another 100 Employees Following the recent layoffs of 150 engineers and content staff, Snapchat is continuing their rounds of massive downsizing this week. Approximately 100 more employees were let go, the sales and advertising staff taking the biggest hit.	Red Flags/DistressSignals-->Downsizing
Mar 20, 2018	In a First, Sony and Snapchat Employ Augmented Reality With 'Jumanji' Release Sony Pictures Home Entertainment is bringing the jungle to life for fans with an augmented reality experience through Snapchat.	Financial Deals-->Partnership / Strategic Alliance
Mar 19, 2018	Mayor of London favours closer ties with San Francisco tech communities The Mayor is reaching out to US tech leaders to support his #BehindEveryGreatCity campaign.	Regulatory and Legal Events
Mar 8, 2018	Snapchat Parent to Reportedly Lay Off About 100 Engineers Snap, the parent company of popular photo-sharing platform Snapchat, is reportedly planning to lay off nearly 100 engineers within a week.	Red Flags/DistressSignals-->Downsizing
Mar 1, 2018	Snap Expands Augmented Reality Efforts, Brings New Feature Snap's SNAP focus to boost user base and win over investors' confidence by continuous addition of new features is really noteworthy.	Strategy and Operations-->Strategy
Feb 20, 2018	Snap partners Nike to boost e-commerce efforts Select Snapchat users were given an exclusive opportunity to purchase Nike's new Air Jordan trainers in a move which could see parent Snap diversify its revenue via e-commerce.	Financial Deals-->Partnership / Strategic Alliance
Feb 8, 2018	Snap Highlights Augmented Reality's Role in Favorable 2017 Results & Optimistic 2018 Plans Snap, Inc. is planning to ride the momentum of its augmented reality products into the new year.	Strategy and Operations-->Strategy

Feb 7, 2018	Snap Reports Fourth Quarter and Full Year 2017 Results Snap Inc. announced financial results for the quarter and full year ended December 31, 2017.	Financial Performance
Feb 6, 2018	Snap Inc. Reports Fourth Quarter and Full Year 2017 Results Snap Inc. announced financial results for the quarter and full year ended December 31, 2017.	Financial Performance
Feb 1, 2018	Snapchat's new Snap Store teases in-app commerce potential Snap just launched a merchandise store. The goal isn't to make money yet, but it proves the potential for an in-app commerce platform for other brands.	Contracts-- >Engineering and Development Contracts-- >Operation and Management
Jan 22, 2018	Snap Lays Off More Employees Amid Cost-Cutting Efforts Snapchat maker Snap laid off more employees as part of its company-wide cost-cutting efforts, The Information reported earlier this week, citing sources familiar with the move.	Red Flags/DistressSignals -->Downsizing
Jan 18, 2018	Snapchat updates app install ads with quicker deep links, deeper analytics Snapchat will automatically create the deep links for brands' app install campaigns and give advertisers a fuller view of their ads' performance.	Research & Development-- >Technology/ product

SOURCE: MARKETLINE

Snap Inc: Business Expansion

Table 15: Snap Inc: Business Expansion

Publication Date	Headline	Category
Jun 18, 2018	Budweiser launches sound-activated World Cup Snapchat lens Budweiser, the official beer of the 2018 FIFA World Cup, has partnered with Snapchat to unveil the world's first sponsored, sound-activated lens.	Products/ brands launch
Jun 14, 2018	Snapchat launches its developer platform, promises to put privacy first Snapchat officially launching SnapKit, it's developer platform, which allows developers to bring Snapchat features, like Bitmoji and Stories, into their apps.	Products/ brands launch
Apr 18, 2018	Snapchat launches 'shoppable' augmented reality feature in	Products/ brands

Lenses	launch
Snapchat is rolling out a new 'shoppable' augmented reality (AR) Lens feature for advertisers around the world.	
SOURCE: MARKETLINE	

Snap Inc: Contracts

Table 16: Snap Inc: Contracts

Publication Date	Headline	Category
Jun 18, 2018	Snapchat Gains Super Powers with Incredibles 2 Augmented Reality Experience Available via Snapchat, the AR experience places the familiar mask of the movie's super family on your face, and simple finger taps on the smartphone's screen activate various virtual superpowers.	Operation and Management
Jun 8, 2018	SeatGeek brings ticket buying into Snapchat You can now buy game and concert tickets from teams and musicians within Snapchat, thanks to an integration with SeatGeek. While Snapchat has started testing e-commerce features in the past few months, SeatGeek says this is the first ticket-buying experie...	Operation and Management
Feb 1, 2018	Snapchat's new Snap Store teases in-app commerce potential Snap just launched a merchandise store. The goal isn't to make money yet, but it proves the potential for an in-app commerce platform for other brands.	Operation and Management
SOURCE: MARKETLINE		

Snap Inc: Corporate Governance

Table 17: Snap Inc: Corporate Governance

Publication Date	Headline	Category
May 7, 2018	Snap chief financial officer will step down and be replaced with an Amazon executive Snap Inc. Chief Financial Officer Drew Vollero is stepping down later this month to be replaced by a longtime Amazon executive, Tim Stone.	Management change
SOURCE: MARKETLINE		

Snap Inc: Financial Deals

Table 18: Snap Inc: Financial Deals

Publication Date	Headline	Category
Jun 18, 2018	Budweiser launches sound-activated World Cup Snapchat lens Budweiser, the official beer of the 2018 FIFA World Cup, has partnered with Snapchat to unveil the world's first sponsored, sound-activated lens.	Partnership / Strategic Alliance
Jun 8, 2018	SeatGeek brings ticket buying into Snapchat You can now buy game and concert tickets from teams and musicians within Snapchat, thanks to an integration with SeatGeek. While Snapchat has started testing e-commerce features in the past few months, SeatGeek says this is the first ticket-buying experie...	Partnership / Strategic Alliance
Mar 20, 2018	In a First, Sony and Snapchat Employ Augmented Reality With 'Jumanji' Release Sony Pictures Home Entertainment is bringing the jungle to life for fans with an augmented reality experience through Snapchat.	Partnership / Strategic Alliance
Feb 20, 2018	Snap partners Nike to boost e-commerce efforts Select Snapchat users were given an exclusive opportunity to purchase Nike's new Air Jordan trainers in a move which could see parent Snap diversify its revenue via e-commerce.	Partnership / Strategic Alliance

SOURCE: MARKETLINE

Snap Inc: Financial Performance

Table 19: Snap Inc: Financial Performance

Publication Date	Headline	Category
May 1, 2018	Snap Inc. Reports First Quarter 2018 Results Snap Inc. announced financial results for the quarter ended March 31, 2018.	Financial Performance
Feb 7, 2018	Snap Reports Fourth Quarter and Full Year 2017 Results Snap Inc. announced financial results for the quarter and full year ended December 31, 2017.	Financial Performance

<p>Feb 6, 2018</p>	<p>Snap Inc. Reports Fourth Quarter and Full Year 2017 Results</p> <p>Snap Inc. announced financial results for the quarter and full year ended December 31, 2017.</p>	<p>Financial Performance</p>
<p>SOURCE: MARKETLINE</p>		

Snap Inc: Red Flags/DistressSignals

Table 20: Snap Inc: Red Flags/DistressSignals		
Publication Date	Headline	Category
<p>Mar 30, 2018</p>	<p>Snapchat Lays Off Another 100 Employees</p> <p>Following the recent layoffs of 150 engineers and content staff, Snapchat is continuing their rounds of massive downsizing this week. Approximately 100 more employees were let go, the sales and advertising staff taking the biggest hit.</p>	<p>Downsizing</p>
<p>Mar 8, 2018</p>	<p>Snapchat Parent to Reportedly Lay Off About 100 Engineers</p> <p>Snap, the parent company of popular photo-sharing platform Snapchat, is reportedly planning to lay off nearly 100 engineers within a week.</p>	<p>Downsizing</p>
<p>SOURCE: MARKETLINE</p>		

Snap Inc: Regulatory and Legal Events

Table 21: Snap Inc: Regulatory and Legal Events		
Publication Date	Headline	Category
<p>Mar 19, 2018</p>	<p>Mayor of London favours closer ties with San Francisco tech communities</p> <p>The Mayor is reaching out to US tech leaders to support his #BehindEveryGreatCity campaign.</p>	<p>Regulatory and Legal Events</p>
<p>SOURCE: MARKETLINE</p>		

Snap Inc: Research & Development

Table 22: Snap Inc: Research & Development		
Publication Date	Headline	Category
<p>May 30, 2018</p>	<p>Snapchat Adds Sound Recognition to Its Augmented Reality Arsenal</p>	<p>Technology/ product</p>

As Facebook, Apple, Samsung, and others offer augmented reality selfie effects and content that challenge its platform, Snapchat has continued to innovate with its augmented reality capabilities.

SOURCE: MARKETLINE

Snap Inc: Strategy and Operations

Table 23: Snap Inc: Strategy and Operations

Publication Date	Headline	Category
Mar 1, 2018	Snap Expands Augmented Reality Efforts, Brings New Feature Snap's SNAP focus to boost user base and win over investors' confidence by continuous addition of new features is really noteworthy.	Strategy
Feb 8, 2018	Snap Highlights Augmented Reality's Role in Favorable 2017 Results & Optimistic 2018 Plans Snap, Inc. is planning to ride the momentum of its augmented reality products into the new year.	Strategy

SOURCE: MARKETLINE

APPENDIX

Contact Us

We hope that the data and analysis in this brief will help you make informed and imaginative business decisions. If you have further requirements/feedback please contact us at: assistme@marketline.com

For further information on MarketLine and our range of business information services please visit www.marketline.com

Methodology

MarketLine company reports are prepared under an established and tested methodology, which ensures proper checks and controls to capture and validate the quality and accuracy of data. The information is primarily sourced through:

- Company annual reports
- Company websites
- SEC filings (10-K, 20-F, 10-Q etc)
- Media releases
- Investors presentations
- MarketLine proprietary databases

Notes

*YTD (Year To Date) – The period beginning January 1st of the current year up until today's date.

*TTM (Trailing Twelve Months) – The timeframe of the past 12 months.

About MarketLine

At MarketLine, we make it our job to sort through the data and deliver accurate, up-to-date information on companies, industries and countries across the world. No other business information company comes close to matching our sheer breadth of coverage.

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MarketLine

EQUITY RESEARCH

June 19, 2018

Price: \$14.05 (06/18/2018)

Price Target: \$9.00 (Prior \$10.00)

UNDERPERFORM (3)

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Key Data

Symbol	NYSE: SNAP
52-Week Range:	\$21.22 - \$10.50
Market Cap (MM):	\$17,677.3
Net Debt (MM):	\$(2,043.0)
Cash/Share:	\$1.67
Dil. Shares Out (MM):	944.6
Enterprise Value (MM):	\$15,856.0
ROIC:	NA
ROE (LTM):	NA
BV/Share:	\$2.23
Dividend:	NA

FY (Dec)	2017A	2018E	2019E
Revenue (MM)			
Q1	\$149.6	\$230.7A	-
Q2	\$181.7	\$247.6	-
Q3	\$207.9	\$293.7	-
Q4	\$285.7	\$391.9	-
Year	\$824.9	\$1,163.9	\$1,640.8
EV/S	19.2x	13.6x	9.7x

Earnings Per Share

Year	\$(2.95)	\$(1.17)	\$(1.06)
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ESTIMATE CHANGES

TRIMMING '18-'23 ESTIMATES; SOCIAL ENGAGEMENT TREND UPDATE

THE COWEN INSIGHT

We trimmed our 2Q18, FY18-FY23 estimates, lowering our revenue / EBITDA forecast on slightly lower Daily Active Users (DAUs) and advertising ARPU. Our recurring proprietary survey data suggests SNAP's US users spent ~33 minutes/day, down ~7% y/y in 2Q18 to date through May '18; YTD in '18 through May, time spent is flattish. Our PT goes to \$9 from \$10, maintain Underperform.

Trimming Revenue and EBITDA Forecast '18-'23, PT to \$9 from \$10

We now forecast 2Q18 total revenue of ~\$248MM, +36% y/y, 2.4% below consensus and vs. \$262MM prior and vs. +54% y/y in 1Q18. We now forecast advertising revenue of \$246MM, +39% y/y vs. our prior estimate of +47% y/y and vs. +62% y/y in 1Q18 given slightly lower DAUs and ARPU estimates. We now forecast 2Q18 EOP DAUs of 194MM vs. 196MM prior and for 2018, we estimate EOP DAUs of 205MM vs. 211MM prior. In 2Q18, ad revenue growth will be driven by Snap ad impression growth (rising ad loads, advertiser add'ns) partially offset by further pricing declines for both Snap Ads and creative tools (lenses and geo-filters). We view our new 2Q18 advertising revenue trajectory as a substantial deceleration from 1Q18 levels vs. our prior forecast and more in line with mgmt. comments during 1Q18 earnings. We estimate 2Q18 EBITDA loss of (\$230)MM vs. (\$198)MM prior and consensus of (\$206)MM.

Long-term Estimates Trimmed: We also lowered our longer-term forecast (see table in the note) based on lower DAUs and ARPU. For 2018, we now forecast total revenue of \$1.16BN, +41% y/y vs. \$1.22BN prior and +47% y/y, about 1% below consensus and EBITDA loss of (\$750)MM vs. consensus of (\$720)MM. For 2019 and 2020, we are now ~4% and ~6% below consensus revenue forecasts respectively. Given our estimate changes, our DCF-derived Price Target goes to \$9 from \$10.

Survey Data: U.S. Time Spent Update Across Social Networks Through May '18

SNAP: Our proprietary monthly recurring survey of 2,500 US consumers 18+ and census-weighted suggests that SNAP's users spent ~33 minutes/day in 2Q18 to date through May '18, down ~7% y/y and on a YTD basis through May '18, SNAP's users spent 33 minutes/day, flattish y/y.

Facebook: For core FB, users spent ~50 minutes/day on the platform in 2Q18 to date through May '18, down ~8% y/y and on a YTD basis through May '18, core FB's users spent ~52 minutes/day, down ~8% y/y and appears aligned with mgmt. comments around prioritizing meaningful interaction between people over passive consumption of content. FB has embarked since late last year on product changes to increase sharing and interactions and reduce passive consumption of video, which is likely a key driver of the time spent declines per our survey.

Instagram: The platform's users spent ~33 minutes/day in 2Q18 to date through May '18, down ~2% y/y and on a YTD basis through May '18, Instagram's users spent 33 minutes/day, +2% y/y.

Twitter: The platform's users spent ~26 minutes/day in 2Q18 to date through May '18, down ~3% y/y and on a YTD basis through May '18, Twitter's users spent 28 minutes/day, flattish y/y.

AT A GLANCE

Our Investment Thesis

We rate SNAP at Underperform with a Price Target of \$9, which is informed by our DCF analysis. Per our recent ad buyer survey, SNAP was lowest Social platform in key attributes like ROI, data and user targeting. While we expect Daily Active Users to grow 9% annually '18-'23 coupled with rising advertising monetization of the platform to drive revenue growth and higher incremental margins over time, our estimates are below consensus.

Base Case Assumptions

Our estimates call for SNAP to grow top line at a ~36% CAGR '18-'23. We expect EBITDA to turn positive and ultimately approach ~\$1.3BN by the end of FY'23. We expect DAUs to grow 9% annually from ~205MM in '18 to ~316MM in '23.

Upside Scenario

There is upside to our forecast if SNAP is able to grow DAUs faster than the 9% CAGR rate that we forecast. There is also upside if SNAP is able to monetize more effectively than we expect through more effective ad products, greater user engagement, or through new products, which could drive ARPU above our current estimates.

Forthcoming Catalysts

We see 2Q18 earnings as a near-term catalyst for shares.

Longer term, the rollout of new ad products, app redesign and innovation of the Snapchat platform could serve as catalysts.

Downside Scenario

Our estimates will prove too aggressive if DAU growth is slower than expected, perhaps due in part to the competitive environment in which SNAP operates. Also, if SNAP is unable to continue to grow monetization, especially for its International users, our ARPU estimates could be at risk of being too high.

Price Performance



Source: Bloomberg

Company Description

Snapchat is a mobile-only platform somewhere in between a social network and messaging service that has evolved since its debut in 2011. SNAP launched as a one to one ephemeral messaging service that allowed users to take and send disappearing photos, videos, etc. and has since expanded its offering along with its use cases to include (i) one to many sharing via Stories, (ii) content consumption via its Discover platform, in which partners such as ESPN and Cosmo create premium content for the platform, (iii) chat functionality including video and audio calls and group chat, and (iv) creative tools such as lenses and Geofilters, just to name a few.

Analyst Top Picks

	Ticker	Price (06/18/2018)	Price Target	Rating
Amazon.com	AMZN	\$1,723.79	\$2,000.00	Outperform
Facebook	FB	\$198.31	\$210.00	Outperform