

## FINANCIALS

- Revenue: \$1.345 billion in Q2 2025, up 9% YoY
- Adjusted EBITDA: \$41 million in Q2 2025, down from \$55 million YoY
- Net loss: \$263 million in Q2 2025 vs \$249 million in Q2 prior year
- Free cash flow: \$24 million in Q2; \$392 million trailing 12 months
- Operating cash flow: \$88 million in Q2; \$587 million trailing 12 months
- Cash and marketable securities: \$2.9 billion at quarter-end
- Adjusted cost of revenue: \$650 million, up 11% YoY
  - Infrastructure costs driving increase due to ML/AI investments and community growth
  - Infrastructure cost per DAU: \$0.84, within full-year guidance of \$0.82 to \$0.87
- Adjusted operating expenses: \$654 million, up 10% YoY
  - Personnel costs up 10%, driven by 10% headcount growth focused on strategic priorities
  - Higher legal and regulatory compliance costs impacting expense growth
- Stock-Based Compensation (SBC) guidance lowered for full year by \$30 million at midpoint (\$1.1B to \$1.13B)
- Share repurchase: 30 million shares bought back at \$243 million cost in Q2
- Dilution: 1.6% YoY growth in share count

## User Metrics

- Monthly Active Users (MAU): 932 million in Q2, +7% YoY (+64 million)
  - North America MAU: 159 million, flat YoY
- Daily Active Users (DAU): 469 million, +9% YoY (+37 million)
  - North America DAU: 98 million
  - Europe DAU: 100 million
  - Rest of World DAU: 271 million
- North America unique Snap senders: +2% YoY
- Snapchat+ subscribers: ~16 million in Q2, +42% YoY, driving "other revenue" growth 64% YoY to \$171 million
- Spotlight monthly active users over 550 million
  - Time spent on Spotlight grew 23% YoY, now ~48% of total content watch time
- Games engagement monthly active users: >175 million, +40% YoY

## GUIDANCE

Q3 2025:

- DAU expected ~476 million
- Revenue guidance: \$1.475 billion to \$1.505 billion
- Adjusted EBITDA forecast: \$110 million to \$135 million
- Infrastructure cost per DAU: expected to be in top half of \$0.82 to \$0.87 range
- Other cost of revenue expected within 19% to 20% of revenue
- Adjusted operating expenses maintained at \$2.65B to \$2.7B for full year
- Stock-based compensation guidance lowered to \$1.1B-\$1.13B for full year (from \$1.13B-\$1.16B previous)

Full year expectations:

- Continued focus on balancing investment with realized revenue growth
- Building demand and monetization for Sponsored Snaps to drive top line growth and ad revenue acceleration
- Maintaining investment in machine learning and AI infrastructure for ad platform and content personalization

## PRODUCTS & SERVICES

### User Engagement & Community

- Snapchat app launched on Apple Watch for messaging preview and response
- Enhanced group suggestions via AI/ML to improve friend connections
- Video chat usage increased +30% YoY
- Spotlight:
  - Testing largest mixed feed model reduced training time by 50%, improving content view growth
- Snap Stars:
  - Thousands onboarded in past year
  - Spotlight posts by Snap Stars grew 145% YoY in North America

- Acquisition of Saturn (social calendar app popular with US high school & college students)
  - Focus on integrating calendar/social scheduling features into Snapchat

## Augmented Reality (AR)

- Over 8 billion daily uses of AR lenses on Snapchat
- 400,000 creators have built 4 million+ lenses via Lens Studio
- Average daily AR user engagement: 350 million+
- Popular generative AI lenses (90s school photos, Different Eras, Cartoon World) with 1B+ views in Q2
- Expansion of AR creation tools:
  - Launch of Lens Studio iOS app and web-based tool
  - AI-powered Easy Lens tool for prompt-based lens creation in minutes
  - New Lens Studio updates for game developers (Bitmoji suite, leaderboards, multiplayer features)
- Games usage: 175M monthly active users, +40% YoY

## Specs AR Glasses

- Plans to launch first fully stand-alone lightweight Specs in 2026
  - Smaller, lighter, more capable than 2024 developer version
- Integration of AI, ML, and spatial intelligence for new user experiences
- Developer community building innovative lenses (real-time translation, music learning, pool assist)
- Platform updates:
  - Snap OS improvements
  - AI-powered experiences enabled by OpenAI, Gemini on Google Cloud, hosted open-source models
  - Automated speech recognition API for real-time transcription (multiple languages)
  - Snap 3D API for on-demand 3D object generation
  - Partnerships with Niantic Spatial and WebXR support forthcoming

## Subscriptions & Monetization

- Snapchat+ nearing 16 million subscribers; driving \$700M+ annualized run rate
- Introduced Lens+, a new Snapchat+ tier with exclusive AI and video lenses, early access to features
- Subscription pricing experiments planned but currently focused on building value proposition
- Spotlight monetization growing, with ongoing experiments on contextual placements and ad formats
- Sponsored Snaps:
  - New single-day takeover ad format "First Snap" in chat inbox launched in June
  - Driving up to 22% conversion lift when added to ad campaigns
  - Generating incremental reach, impression growth (15% YoY), and lowering eCPMs temporarily due to increased inventory
  - Expected to become increasingly accretive to top line revenue over time as demand scales
- Direct response (DR) advertising:
  - Purchaser volume growth +39% YoY
  - Purchase-related ad revenue +25% YoY
  - Strong demand for Pixel purchase and app purchase optimizations
  - SMB client segment largest contributor to ad revenue growth
- AI-driven ad tools:
  - Smart bidding (dynamic bid adjustment to achieve cost per action goals)
  - Smart budget (auto-adjust campaign budgets)
  - Auto targeting (AI-driven audience selection)
- Examples of ad success:
  - "I CAN I WILL" sportswear brand doubled ROAS, increased conversions 80%, halved cost per action
  - Wizbii Money (French financial service) improved eCPM by 77% and CPC by 69%
- Brand advertising revenue flat in Q2
- Advertising revenue impacted by multiple factors in Q2:
  - Ad platform issue temporarily lowered auction prices (reverted in May)
  - Ramadan timing impact
  - De minimis changes delivered headwinds

## TECHNOLOGY & INFRASTRUCTURE

- Continued investment in AI and machine learning models for advertiser performance, personalization, and content recommendation
- Largest mixed feed ML model cut training time in half, improving content delivery

- Engineering reorganization:
  - Engineering teams distributed to align better with business priorities:
    - Core applications under Bobby Murphy (CTO)
    - Monetization engineering under Ajit Mohan (Chief Business Officer)
    - CIO and CISO to lead foundational infrastructure and security reporting to CEO
- Focus on leveraging engineering to accelerate innovation in community and advertising products

## **STRATEGIC PARTNERSHIPS & ACQUISITIONS**

- Acquisition of Saturn:
  - Social calendar app with widespread usage in U.S. high schools
  - Expected to be integrated into Snapchat for enhanced social scheduling experiences
- Planning partnerships around Specs launch to bring product to market effectively

## **LEADERSHIP & ORGANIZATIONAL**

- Eric Young, SVP Engineering, departed to pursue new opportunity
- Engineering reorganization to empower greater ownership and focus aligned with strategic priorities

## **CATALYSTS & OUTLOOK**

- Specs AR glasses launch targeted for 2026 – significant step in AR product roadmap and long-term vision
- Continued growth and monetization of Sponsored Snaps as a new major ad format with high engagement potential
- Expansion and monetization of Spotlight and Snap Stars programs to diversify ad revenue
- Growth in Snapchat+ subscriptions and new tiers like Lens+ as recurring revenue streams
- Advances in AI/ML infrastructure and platform to improve advertiser ROI and content engagement
- Continued emphasis on SMB advertisers and automation tools to fuel growth
- Focus on balancing investments with profitability and cash flow generation
- Positioned well financially with \$2.9B in liquidity and strong free cash flow to fund innovation and growth initiatives