

# Snap Inc

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## Snap shares drop pre-market trading as Snapchat owner sees fourth-quarter revenue miss estimates

Snap Inc (NYSE:SNAP) shares dropped in pre-market trading on Wednesday after the owner of the popular photo messaging app Snapchat saw its fourth-quarter revenue miss estimates.

In earnings released after-hours on Tuesday, Snap said its quarterly revenue - which the company generates from selling advertising on Snapchat - increased by 44% to \$560.88 million but that missed the consensus estimate of \$563.03 million.

Snap, which had already warned that its peak advertising demand period between Black Friday and the December holidays had one fewer week this year, is facing tough competition from digital advertising giants Alphabet Inc (NASDAQ:GOOGL) Google and Facebook Inc (NASDAQ:FB).

Snap said daily active users (DAU) on Snapchat rose 4% to 218 million for the three months ended December 31 from the prior quarter. The user metric stood at 186 million a year earlier. Average revenue per user jumped 23% year-on-year to \$2.58 during the quarter.

Snap's net loss widened to \$240.7 million, or 17 cents per share for the fourth-quarter, from \$191.67 million, or 14 cents per share, a year earlier.

The company said it expects first-quarter revenue to be in the range of \$450 million to \$470 million, compared to current consensus expectations of \$461.6 million.

### Something of a conundrum

Nicholas Hyett, Equity Analyst at Hargreaves Lansdown commented: "These results are a tale of two halves. Superficially the group is making great strides, customer numbers are growing as the group invests in new short-form content, games and Lenses. Catering better for advertisers seems to be delivering results too, with Snap squeezing more revenue from each customer as marketing teams see more value in splashing cash on reaching the company's younger audience.

"The problems arise when you get a little further down the financial statements. Adjusted profits might be positive, but they exclude some very real costs - not least over half a billion dollars of share-based remuneration and a £100m settlement relating to its IPO."

He added: "At a less flattering cash level things look even less pleasant. All the innovation is costing a lot of money and the group's struggling to move into positive free cash territory. That may not seem like an urgent problem, given the \$1bn+ cash pile, but the current burn rate of \$340m a year can't be sustained indefinitely.

"For investors Snap is something of a conundrum. The key operational indicators are moving the right direction but somehow the rest isn't following suit."

**Price:** 19.11

**Market Cap:** \$27.67 billion

### 1 Year Share Price Graph



June 2019 November 2019 June 2020

### Share Information

**Code:** SNAP

**Listing:**

52 week	High	Low
	20.03	7.89

**Sector:** Telecoms

**Website:** [www.snapchat.com](http://www.snapchat.com)

### Company Synopsis:

The Company's flagship product, Snapchat, is a camera application that helps people to communicate through short videos and images known as a Snap. The Company offers three ways for people to make Snaps: the Snapchat application, Publishers Tools that help its partners to create Publisher Stories, and Spectacles, its sunglasses that make Snaps.

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In pre-market New York trading on Wednesday, Snap shares were 8.2% lower at \$17.42.

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