

Snap Inc

11:23 05 Feb 2020

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

Price: 25.15

Market Cap: \$36.62 billion

1 Year Share Price Graph



Share Information

Code: SNAP

Listing:

52 week	High	Low
	26.76	7.89

Sector: Telecoms

Website: 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.

action@proactiveinvestors.com

somehow the rest isn't following suit."

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

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts, journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

No investment advice

The Company is a publisher. You understand and agree that no content published on the Site constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You understand that the Content on the Site is provided for information purposes only, and none of the information contained on the Site constitutes an offer, solicitation or recommendation to buy or sell a security. You understand that the Company receives either monetary or securities compensation for our services. We stand to benefit from any volume which any Content on the Site may generate.

You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value, suitability or profitability of any particular security, portfolio of securities, transaction, investment, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including Company-related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The Site does not, and is not intended to, provide investment, tax, accounting, legal or insurance advice, and is not and should not be construed as providing any of the foregoing. You should consult an attorney or other relevant professional regarding your specific legal, tax, investment or other needs as tailored to your specific situation.