

# Four Takeaways from Snap's Q4 Earnings: What Advertisers Need to Know

Article

**S**nap Inc. reported Q4 2018 earnings Tuesday and, like Facebook, beat expectations for revenue and usage. In this eMarketer Analyst Insight, principal analyst Debra Aho

Williamson and senior analyst Jasmine Enberg explain four key takeaways for advertisers.

## 1. When it comes to daily usage, flat is the new normal.

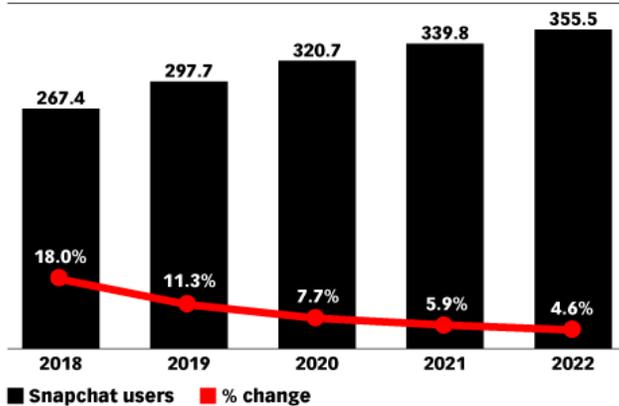
The worldwide average daily active user base (DAU) for the Snapchat app was flat at 186 million in Q4, the same number as Q3. Snap pitched that as a positive (and Wall Street agreed), since DAUs have fallen each quarter since peaking at 191 million in Q1 2018. North America accounted for 42.5% of the total daily user base in Q4, the same as the previous quarter.

Snapchat's DAU count remained flat in North America at 79 million and inched up by 1 million in Europe, to 60 million. Usage in the rest of the world has also been flat at 47 million since Q2 2018. That's different from Facebook, which is seeing the strongest growth in its daily user base in Asia-Pacific. (Due to rounding, the 1 million increase for Snapchat in Europe didn't actually change the worldwide total in the quarter.)

On a monthly basis, **Snapchat's growth** story looks better. We expect it to increase its user base 11.3% this year to 297.7 million. Snap doesn't release monthly user figures.

### How Many People Worldwide Use Snapchat?

millions and % change, 2018-2022



Note: internet users of any age who access their Snapchat account via any device at least once per month  
Source: eMarketer, Nov 2018

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## 2. A refreshed Android app could help reverse the flattening trend.

For months now, Snap has been working on a version of its app that will be easier to use and faster on devices that use the Android operating system. The company said it's hopeful the new app will bring in new users, particularly in international markets, but it remains to be seen

how quickly it will roll out. Snap said in prepared remarks that it's testing the rebuilt Android app with a small group of users but didn't give a timetable for the rollout.

The Android opportunity is large relative to iOS; Android phones accounted for 85.1% of smartphone shipments worldwide last year, according to International Data Corporation (IDC).

### 3. Snap is now a billion-dollar company.

Total revenue in 2018 reached \$1.18 billion, a 43% increase over 2017. Essentially all revenue now comes from advertising; Spectacles are no longer a material contributor. In Q4, ad growth was strong from performance advertisers, including those in the app install, gaming and direct-to-consumer verticals, executives said during the earnings conference call.

Snap has doubled down on ad products aimed at performance advertisers, including adding a range of performance-based bidding options and efficiency improvements.

North America—Snap's core market—is making up an increasingly smaller share of its worldwide revenues. The region accounted for 69.8% of total revenues last year, down from 80.4% in 2017.

In our most recent forecast published in September, we estimated that Snapchat would close the year with \$1.06 billion in worldwide ad revenues, 62.6% of which would come from the US. (We'll publish an updated Snapchat revenue forecast in the coming weeks.)

#### Snapchat Ad Revenues Worldwide, US vs. Non-US, 2016-2020

millions and % of total

	2016	2017	2018	2019	2020
<b>US ad revenues</b>	<b>\$300.4</b>	<b>\$557.6</b>	<b>\$662.1</b>	<b>\$920.5</b>	<b>\$1,206.8</b>
—% of worldwide total	87.4%	78.9%	62.6%	60.0%	57.0%
<b>Non-US ad revenues</b>	<b>\$43.2</b>	<b>\$149.0</b>	<b>\$395.9</b>	<b>\$613.7</b>	<b>\$910.4</b>
—% of worldwide total	12.6%	21.1%	37.4%	40.0%	43.0%
<b>Worldwide</b>	<b>\$343.6</b>	<b>\$706.6</b>	<b>\$1,058.1</b>	<b>\$1,534.2</b>	<b>\$2,117.2</b>

Note: paid advertising only; excludes spending by marketers that goes toward developing or maintaining a Snapchat presence  
Source: company reports; eMarketer, Sep 2018

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### 4. European monetization per user is lagging.

Snap made just \$1.04 in average revenue per user (ARPU) in Europe in Q4. North America ARPU was triple that, at \$3.38, and even the rest of the world came in higher, at \$1.24. That's

a different trend than for Facebook, which saw Q4 ARPU of \$10.98 in Europe, significantly higher than Asia-Pacific (\$2.96) or the rest of the world (\$2.11).

The slow pace of monetization in Europe could be related to the Android app saga. Snapchat usage lags in countries that are Android-heavy. In Spain, for example, just 19.1% of mobile phone social network users used Snapchat in 2018, we estimate. Android held an 88.1% share of smartphone sales in the country, according to Kantar Worldpanel data from June 2018. In the UK, 49.8% of mobile phone social network users used Snapchat last year, according to our forecast. Android's share of smartphone sales was lower, at 64.5% in June, according to Kantar.