

Snap's Q2 results are a tale of revenue loss, user growth, and compelling innovation

Article

The news: Snapchat parent **Snap Inc.** disclosed its Q2 results on July 25, demonstrating mixed results. Key highlights include:

- The company generated \$1.07 billion in revenues, down 4% year over year—but also reported a smaller net loss of \$377 million.
- Snap had 14% YoY growth in daily active users (DAUs), reaching 397 million and topping analyst estimates.

Throughout Q1, Snap faced a harsh climate due to a slowdown in ad spending and fierce competition, particularly from **TikTok**. Revenues fell 7% YoY to nearly \$989 million while DAU growth missed Wall Street projections by a hair. Despite these headwinds, the company managed to slightly reduce its loss per share. In a volatile trading year, Snap's shares have surged 56% from their May lows.

The innovation story: Despite challenges, the platform has bright spots to point to.

- Snapchat+, the platform's subscription product, accrued over 4 million paying subscribers in its first year, aided by unique features like Custom Story Expiration and Custom Notification Sounds.
- Snap continues to innovate, adding features like Lens Studio 2.0, Camera Kit, and Snap Minis, boosting Snapchat's appeal for users and advertisers.
- The platform's continued investments in AR and AI technology are likely to propel user growth and engagement.
- My AI's expansion is notable as well: Initially launched exclusively for Snapchat+ subscribers, it's now freely available for all Snapchat users. Principal analyst **Jasmine Enberg** believes the feature has strong potential to make up for some of the lost signals from Apple's privacy changes by providing Snap with a trove of first-party data to serve more relevant content and ads across its surfaces, which it has already started to do.

Yes, but: The unfavorable ad-spending environment has pressured Snap's primary revenue source, advertising.

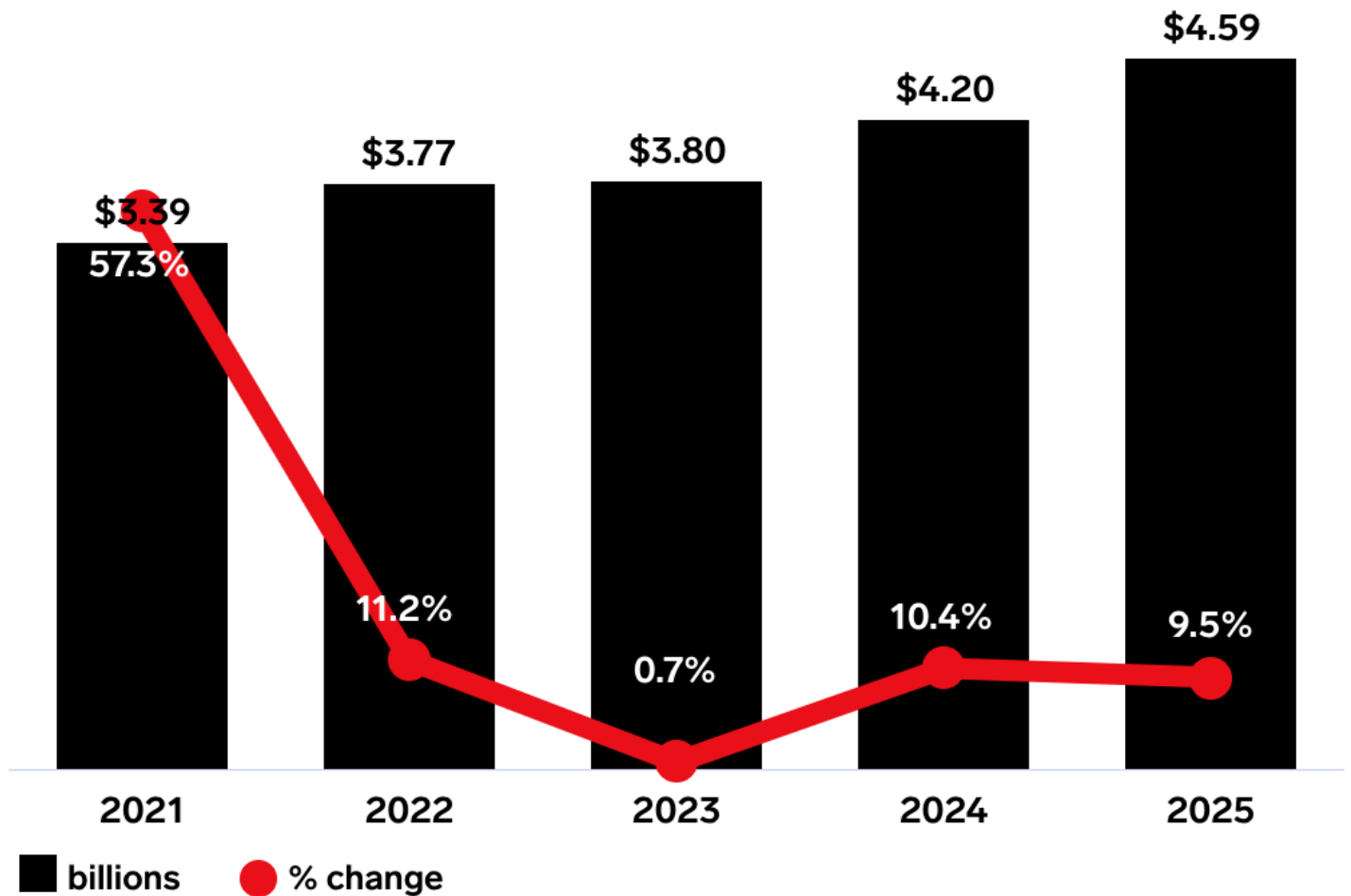
- The company has recently launched fresh revenue streams, including monetizing its famous 'streaks' feature and giving more users reasons to sign up for Snapchat+, but it isn't innovating enough to compete with the likes of **Meta's Facebook** and **Instagram**, not to mention TikTok.
- Mirroring a tech industry trend, Snap centralizes voting power among executives, particularly co-founders **Evan Spiegel** and **Bobby Murphy**. This makes it harder for investors—or

advertisers—to hold the company accountable.

Our take: Although Snap's Q2 report displayed a revenue drop, key technological advancements and robust user growth provide signs of optimism. As it diversifies revenue streams and strengthens its user base, Snap might just defy the odds and find a way to thrive in an increasingly competitive social media landscape.

Snapchat Ad Revenues

Worldwide, 2021-2025



Note: Exchange Rate; includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices, and includes all the various formats of advertising on those platforms; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites

Source: Insider Intelligence | eMarketer, March 2023

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