

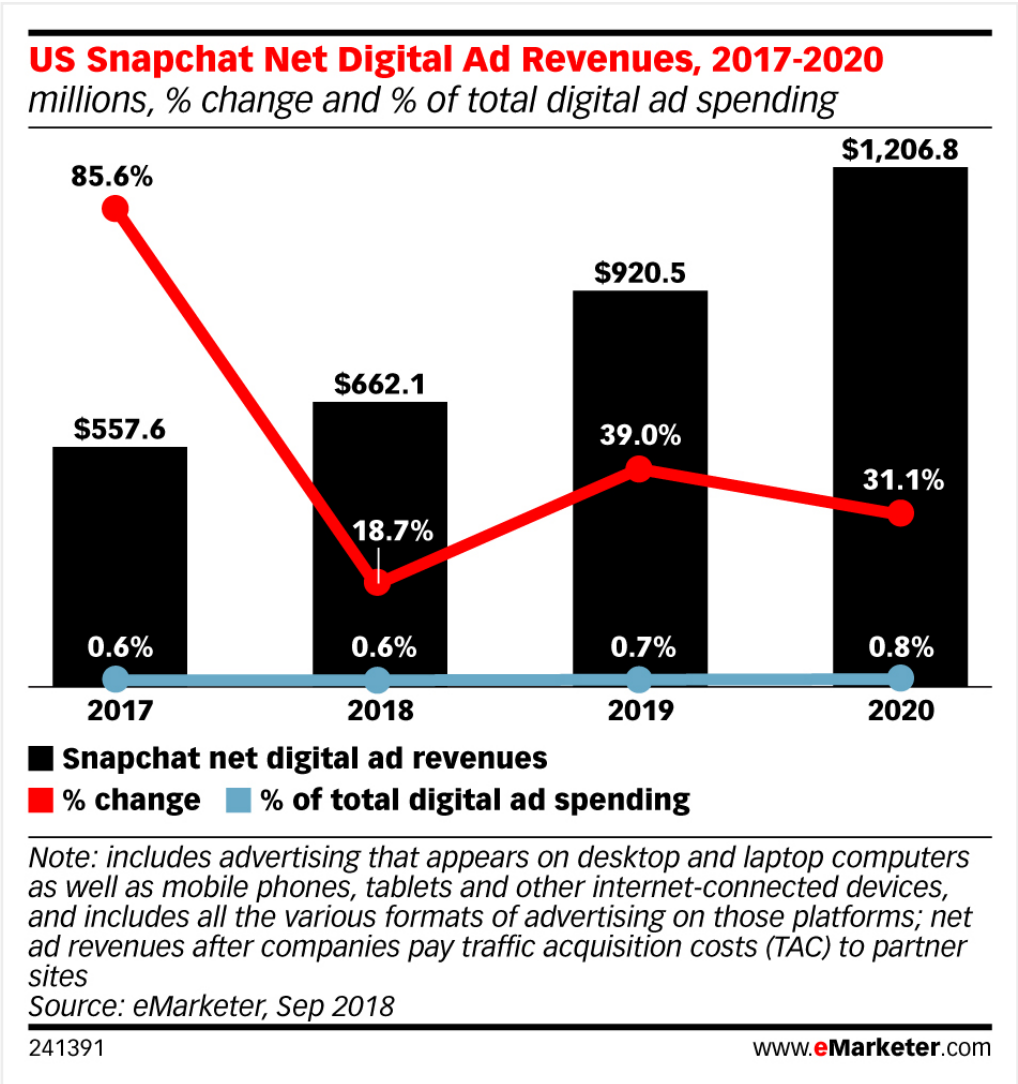
eMarketer Lowers Snap Ad Forecast

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eMarketer Editors

In its latest advertising forecast, eMarketer has significantly lowered its projections for Snap's US ad revenue for 2018 and beyond, as an increasingly automated buying system brings down prices.

This year, we estimate that Snap will generate \$662.1 million in net US ad revenue, lower than the \$1.03 billion eMarketer had projected last March. We now expect that Snap will not break \$1 billion in US ad revenue until 2020.



The downgraded figures are mainly due to Snap’s shift to an ad delivery system that is about three-quarters programmatic. As a result, we believe Snapchat’s US ad revenue will increase 18.7% this year, down from an 85.6% increase in 2017. However, we expect growth to be higher again in 2019 and 2020 as the platform attracts more advertisers to bid up prices.

“Snap rolled out its programmatic ad platform in June 2017. While the transition to a self-serve format has increased the number of advertisers, it has also resulted in lower ad prices overall,” said eMarketer principal analyst Debra Aho Williamson. “Programmatic ads are typically cheaper because the automated auction infrastructure reduces (and sometimes eliminates) the need for salespeople to get involved. Some advertisers report strong ROI from programmatic ads

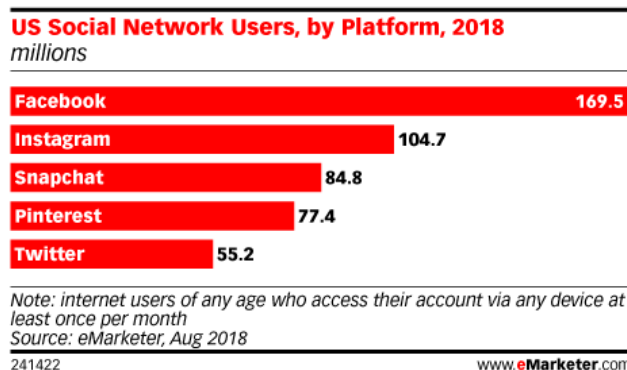
on Snapchat, but many others remain skeptical. They are concerned about the size of Snapchat’s audience and feel that measurement and targeting still lag behind Facebook.”

The revenue adjustment now means Snap controls 0.6% of the US digital ad market—the same as last year, and below the 1% previously predicted. For comparison, Google and Facebook control a combined 57.7% of US digital ad spending this year (37.1% and 20.6%, respectively).

As a result of the downgraded forecast, Snap will only capture 0.9% of the US mobile ad market this year, lower than the 1.4% previously expected. Snap derives its ad revenue entirely from mobile.

“We believe Snap’s transition to programmatic was the right move, since it makes it easier for advertisers to buy ads,” Williamson said. “But Snap also needs to restore user engagement, after its worldwide daily active user count fell by 3 million in Q2. Usage declines are a big red flag for advertisers.”

On a monthly basis, we believe Snapchat will still see usage gains this year. We forecast that it will have 84.8 million monthly active users in the US in 2018, up more than 7% over last year. By that metric, it will grow faster than both Facebook and Twitter, which will see user counts rise just 0.9% this year, but slower than Instagram (up 13.1%).



Snapchat is the most popular app among teens. In fact, it will continue to add users ages 12 to 17, while Facebook will continue to lose users

in that cohort. We estimate Snapchat will add 1.2 million new US users in that age group by 2022, while Facebook will lose 2.2 million.