

# Snap's losses nearly quintupled in Q3

## Article

**The news:** Times remain tough for Snapchat, whose Q3 net losses nearly quintupled year over year to **\$359.5 million**, including a big restructuring charge.

- Revenues were **\$1.13 billion**, up 6% year over year but marking the first time the company has seen single-digit growth since its debut. They were just shy of expectations of \$1.14 billion.
- Daily active users exceeded expectations at **363 million**, but **average revenue per user (ARPU) fell** from \$3.49 to \$3.11 year over year.

**Bad news after bad news:** Snap's troubles in 2022 have foreshadowed those of its competitors. Its [May revenue warning](#) precipitated a brutal [Q2 earnings report](#) not just for Snap, but for nearly all social media stocks. This quarter could presage similar results.

- Even before the current turmoil facing social media and the digital ad world, Snap had struggled to make a name for itself as a digital ad platform. It's tried multiple strategies to increase ad exposure and diversify revenues, from producing a higher range of [original content](#), to a [subscription service](#), to a now-abandoned camera drone called **Pixy**.
- But none of those projects have seemed to work. Snap's advertising revenues continue to stagnate. That strong user growth shows that Snap is a service that people want, but its function primarily as a chat app makes it hard to monetize with advertisements.
- Its new **SnapChat+** subscription service has been a slight bright spot, bringing in 1.5 million subscribers across 170 countries. But much of that growth, as well as most of Snapchat's new users, has come from countries outside the US—a sign that Snap is struggling to thrive in the region responsible for most of its revenue.

**Analyst take:** "Snapchat is going through its most difficult period to date," says Insider Intelligence principal analyst **Jasmine Enberg**. "Its disappointing Q3 earnings are a combination of the near-term challenges but they also reflect Snap's longer-term challenge of being a less-essential player in the digital ad market—and a platform that many advertisers still struggle to fully understand. Going forward, Snap needs to continue to double down on features that appeal to its core user base and explore other avenues outside of advertising in order to turn things around."

**The big takeaway:** Snap's future is uncertain. User growth shows interest in Snapchat's platform, but the repeated failure to draw advertising dollars has led the company to a valley that's sure to bring up questions about consolidation and new competitors.

- We forecast Snap's US ad revenues will total \$2.72 billion in 2022, far below platforms like **LinkedIn** (\$4.02 billion) and even another struggling platform like **Twitter** (\$3.01 billion).

## US Social Network Use Penetration, by Platform and Gender, June 2022

% of social network users in each group

	Female	Male
Facebook	87%	75%
YouTube	73%	81%
Instagram	46%	49%
Pinterest	42%	18%
TikTok	35%	34%
Twitter	27%	47%
Snapchat	26%	32%
LinkedIn	20%	34%
Reddit	14%	31%

Note: n=2,225 ages 18-76; in the past 12 months

Source: Insider Intelligence, "US Digital Trust Benchmark 2022," Sep 2022

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