

AI and Snapchat+ helped Snap beat Q1 expectations

Article

The news: Snap outperformed on revenue and subscription expectations in Q1, causing the once-struggling social media company's stock to surge more than 25% on Friday.

- The company delivered \$1.19 billion in revenues, topping expectations of \$1.12 billion. Similarly, Snap increased its Q2 guidance above investor expectations—a stark contrast to

Meta, [which gave a disappointing Q2 forecast](#) and took a beating in the stock market as a result.

- **Snapchat+** subscribers reached 9 million in Q1, up from its [most recent milestone](#) of 7 million subscribers in December 2023.
- Snapchat attracted significant attention from smaller brands: small and midsize advertisers on the platform increased 85% year over year in Q1.

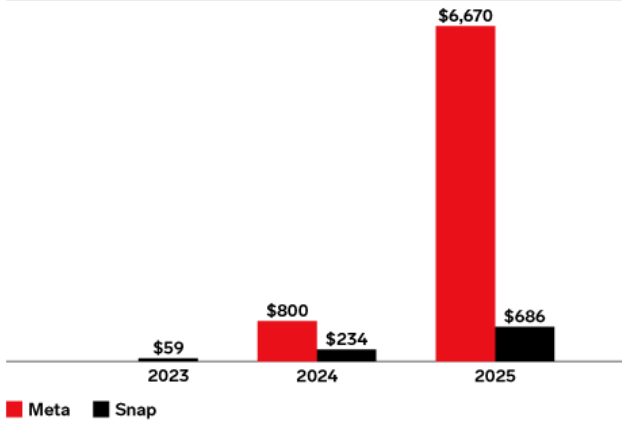
Snap's resurgence: A series of strong earnings reports for Snap stand in stark contrast to its 2022 struggles, when it was one of the first companies to report major losses due to Apple's AppTrackingTransparency change.

- Since then, Snap has invested in a subscription service to diversify its revenues, focused on AI as a perk for subscribers and a driver of ad growth, and rebranded to distinguish itself from competitors that have attracted significant negative attention.
- Snapchat+ has been on the market for around a year and a half and has grown markedly in that time. AI has been a major driver of subscriptions: The company launched a ChatGPT-powered **MyAI** chatbot on Snapchat [last April](#), with expanded access for Snapchat+ subscribers.
- AI isn't just a subscriber perk—it's also [played into Snap's advertising business](#). MyAI has been a valuable source of user data that feeds back into the platform's advertising business, opening up new opportunities for targeting and consumer outreach. Snap's AI advertising revenues could reach \$234 million this year, per [Street Research](#). That figure is dwarfed by Meta's \$800 million, but it's still a strong performance for an app that was struggling not too long ago.

Our take: Snap's strong Q1 shows that AI and its rebrand have been a success. Whether Snap is truly not a social media platform, as its recent ad campaign argues, is up for debate, but the company has tapped into effective ways to monetize messaging—a notoriously difficult-to-monetize sector.

Meta vs. Snap Artificial Intelligence (AI) Agent Ad Revenues Worldwide, 2023-2025

millions



Source: New Street Research, "META & SNAP: How Much Ad Revenue Could Consumer AI Agents Generate?" cited by MediaPost, Jan 5, 2024

284392

Insider Intelligence | eMarketer