

Snap Inc.

Q4 2021 Earnings Slides

February 3, 2022

Forward-Looking Statements & Non-GAAP Financial Measures

This presentation contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this presentation, including statements regarding guidance, our future results of operations or financial condition, business strategy and plans, user growth and engagement, product initiatives, and objectives of management for future operations, and the impact of COVID-19 on our business and the economy as a whole, are forward-looking statements.

In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “going to,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will,” or “would” or the negative of these words or other similar terms or expressions.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this presentation on our current expectations and projections about future events and trends, including our financial outlook and the ongoing COVID-19 pandemic, that we believe may affect our business, financial condition, results of operations, and prospects. These forward-looking statements are subject to risks, uncertainties, and other factors, including those described in the sections titled “Risk Factors” and elsewhere in our most recent periodic report filed with the SEC, which is available on the SEC’s website at www.sec.gov. Additional information will be made available in our periodic report that will be filed with the SEC for the period covered by this presentation and other filings that we make from time to time with the SEC.

In addition, the forward-looking statements in this presentation relate only to events as of the date on which the statements are made and are based on information available to us as of the date of this presentation. We undertake no obligation to update any forward-looking statements made in this presentation to reflect events or circumstances after the date of this presentation or to reflect new information or the occurrence of unanticipated events, including future developments related to the COVID-19 pandemic, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments.

This presentation includes certain non-GAAP financial measures. These non-GAAP financial measures, which may be different than similarly titled measures used by other companies, are presented to enhance investors’ overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. A reconciliation of GAAP to non-GAAP measures is provided in the appendix of this presentation.

Fourth Quarter Financial Highlights

Revenue	<ul style="list-style-type: none">• Revenue increased 42% YoY to reach \$1.3 billion in Q4 2021.• Average revenue per user increased 18% YoY to reach \$4.06 in Q4 2021.
Operating Performance	<ul style="list-style-type: none">• Operating margin improved to (2)% in Q4 2021, compared to (11)% in Q4 2020.• Adjusted gross margin¹ improved to 66% in Q4 2021, compared to 59% in Q4 2020.• Net income improved by \$136 million YoY to \$23 million in Q4 2021.• Adjusted EBITDA improved by \$161 million YoY to \$327 million in Q4 2021.• Adjusted EBITDA margin² improved to 25% in Q4 2021, compared to 18% in Q4 2020.
Cash	<ul style="list-style-type: none">• Operating cash flow was \$186 million in Q4 2021, compared to \$(53) million in Q4 2020.• Free Cash Flow was \$161 million in Q4 2021, compared to \$(69) million in Q4 2020.• Ending cash, cash equivalents, and marketable securities were \$3.7 billion as of December 31, 2021.

¹Excludes stock-based compensation expense and other payroll related tax expense, depreciation and amortization, and certain other non-cash or non-recurring items impacting net income (loss) from time to time.

²We define Adjusted EBITDA margin as Adjusted EBITDA divided by GAAP revenue. See Appendix for reconciliation of net loss to Adjusted EBITDA.

Quarterly information is unaudited.

Numbers throughout presentation may not foot due to rounding.

Business Highlights

The Snapchat community is active, engaged, and growing:

- DAUs were 319 million in Q4 2021, an increase of 54 million, or 20%, year-over-year.
- Year-over-year growth in DAUs has been 20% or more for five consecutive quarters.
- DAUs increased sequentially and year-over-year in each of North America, Europe, and Rest of World.

We invested and innovated in our augmented reality platform:

- Our 18 New Year's Eve Lenses generated more than 7 billion impressions.
- We released several enhancements and new features to Lens Studio, including a new Sounds Library, real-world physics, world mesh, and an API library for real-time data.
- Lens Creators can now include a Call-to-Action link within a Lens, making it easier for Lens Creators to grow their businesses.
- We partnered with the Great Barrier Reef Foundation to launch a new Water Segmentation Lens, which shows a virtual reconstruction of the Great Barrier Reef and its ongoing degradation to inspire people to protect the world's delicate reef system.
- We rolled out Food Scan, the newest improvement to our Camera that uses the powerful visual recognition capabilities of Scan to understand different food and ingredients and provide recipe recommendations.

Business Highlights (Continued)

We invested in our content offerings:

- The number of Spotlight viewers subscribing to a Creator more than doubled relative to the prior quarter.
- Over 20 Spotlight creators are also syndicating Shows on Discover, including beauty entrepreneur Patrick Starr and crafting expert Lauren Riihimäki, who each reached 5 million Snapchatters with their Shows.
- We renewed our partnerships with three of the top premium broadcasters in the world: NBCUniversal, ViacomCBS, and Disney, who are responsible for popular shows on Discover including The Rundown, MTV Presents, and ESPN GameDay, respectively.
- In Q4 2021, 25 different Discover partners each reached over 50 million unique Snapchatters globally, including Universal Music's Rebel Labs, social publisher Jungle Creations' lifestyle content, and Team Whistle's sports content.
- In Q4 2021, we added more than 160 new international Discover channels and onboarded new partners including Seven.One Entertainment Group in Germany and Canal+ in France.
- We partnered with Kim Kardashian West and Kris Jenner to launch the Kindness Spotlight Challenge, which generated the most submissions for a challenge to date; we partnered with Mariah Carey to launch her hit song "All I Want for Christmas is You" via Sounds on Snapchat and as a Spotlight Challenge, which inspired the creation of over 3.5 million videos featuring the song and over 300 million views.
- Our new Snap Original "The Me and You Show", which stars Snapchatters and their friends using our Cameos feature, reached over 50 million viewers.

Business Highlights (Continued)

We expanded our product and partner ecosystem:

- We launched our first two Snap Map Layers, Memories and Explore, which allow users to view their saved Snaps by location and explore new ones around the world and have been used over 100 million times since launch.
- We partnered with e-commerce company Flipkart and cosmetics companies Sugar Cosmetics and MyGlam to bring more AR shopping and virtual try-on experiences to Snapchatters in India.
- We launched new Lenses with our Camera Kit partner Disney's PhotoPass service featuring iconic Disney characters like Elsa from Frozen and Timon from The Lion King.
- We released "Quick Tap to Snap" for Google's Pixel 6 and Pixel 6 Pro phones, enabling users to access the Snapchat Camera directly from the lockscreen with two taps.
- We partnered with Sony Music Entertainment, expanding the library of songs for Snapchatters to use in Sounds, Lenses, and more to all major publishers.
- We partnered with NBCUniversal so Snapchatters can add audio clips from popular TV shows and movies such as The Office, Saturday Night Live, and Bridesmaids to their Snaps.

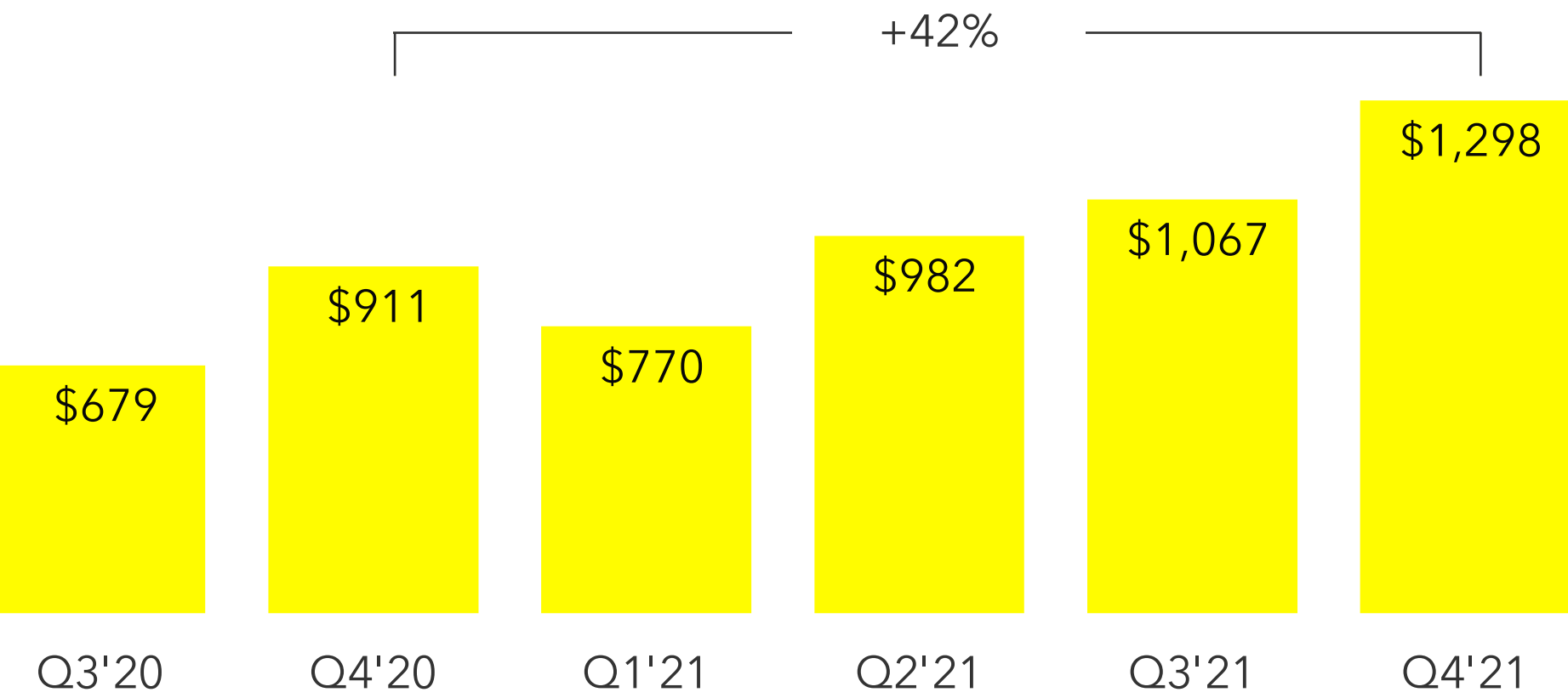
We expanded our offering for advertisers:

- Our first party measurement solutions are now enabled for advertisers that represent more than 75% of our Direct Response revenue.
- We rolled out multi-format delivery of ad creatives, allowing advertisers to utilize a single ad set across multiple ad formats, and for Snap to optimize delivery.
- We released seven new courses in Snap Focus, our learning portal for marketers, covering topics from general campaign optimization and brand safety to privacy-centric measurement solutions such as Advanced Conversions.
- We launched Catalog-powered Shopping Lenses, which provide real-time results for brands on SKU-level augmented reality product engagement, and introduced a new AR try-on shopping interface for Snapchatters.
- Cosmetics company MAC utilized our self-service Lens Web Builder tool, which is now broadly available to all beauty brands, to build several AR try-on makeup Lenses. The campaign ultimately drove 1.3 million try-ons, a 2.4x higher lift in Brand Awareness, a 9x higher lift in Intent, and among female Snapchatters, a 17x higher lift in Purchases.

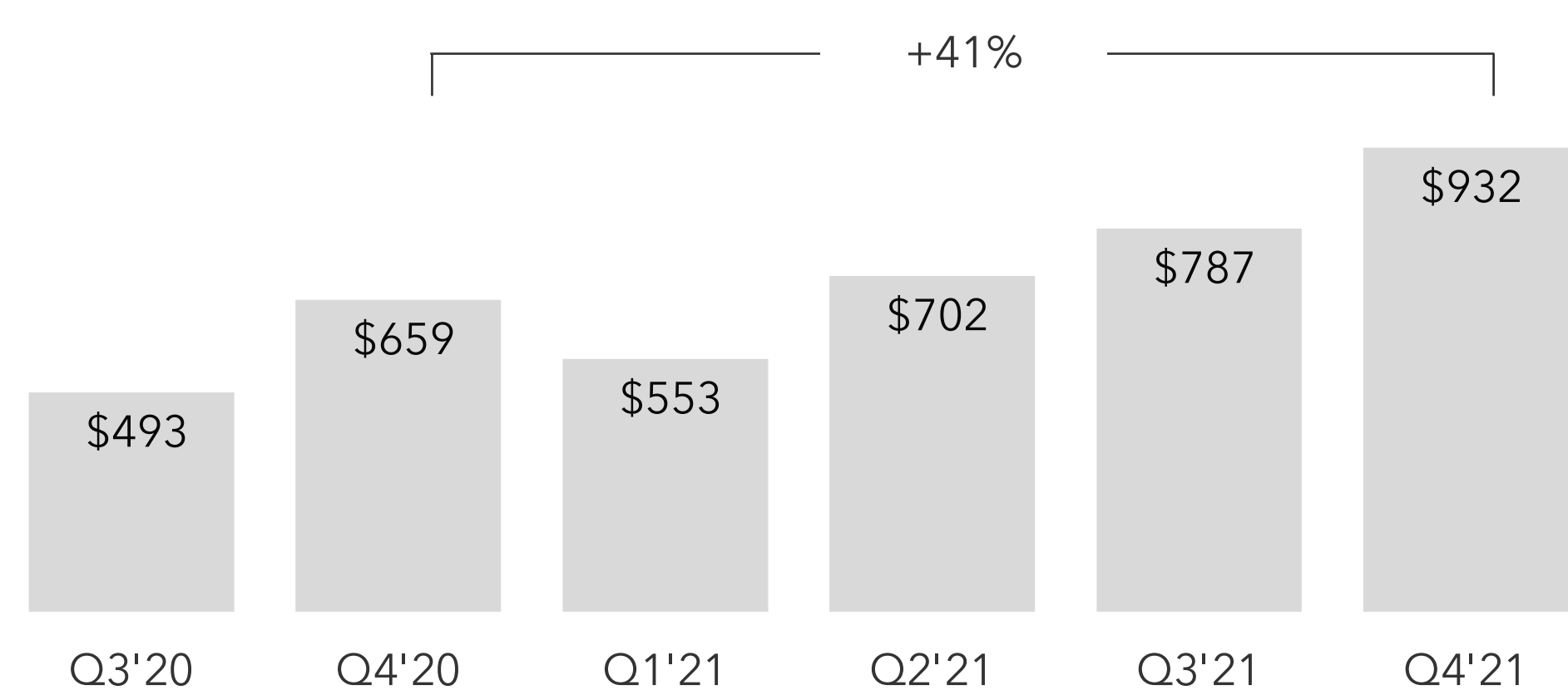
Revenue by Geography

(in millions, unaudited)

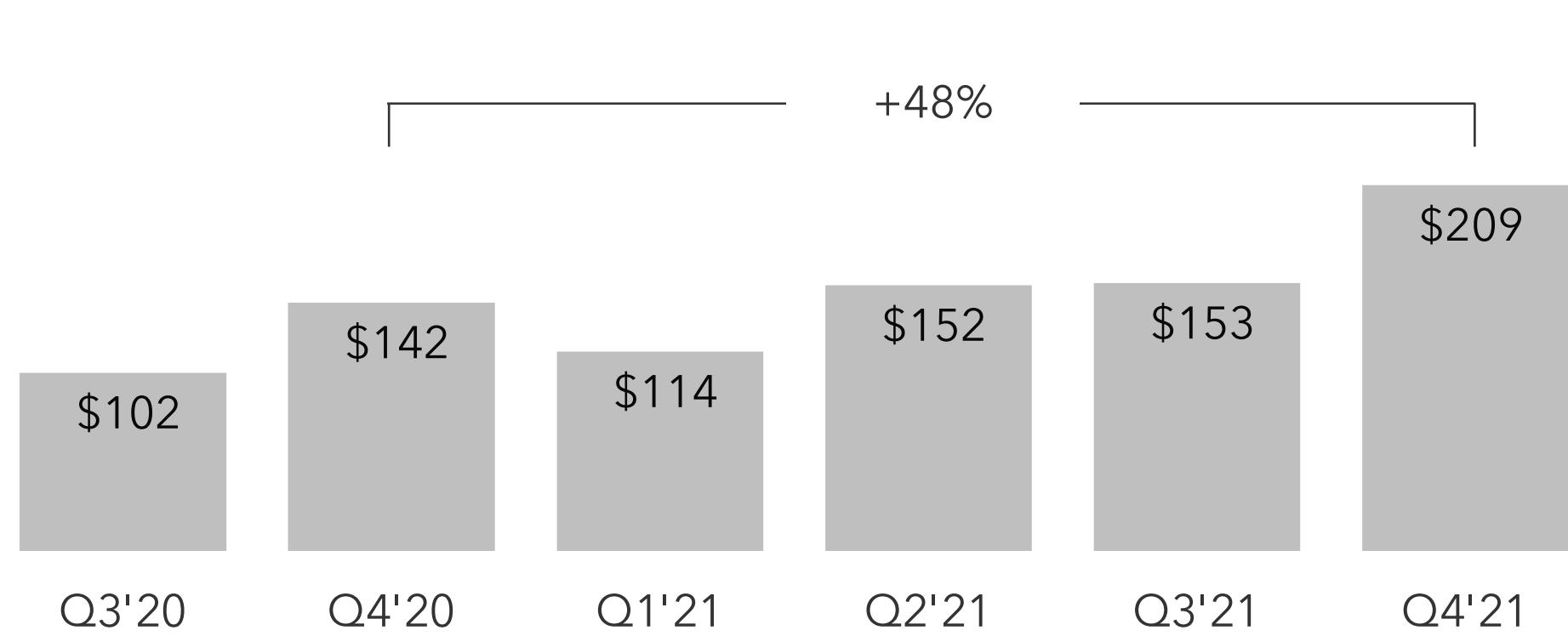
GLOBAL



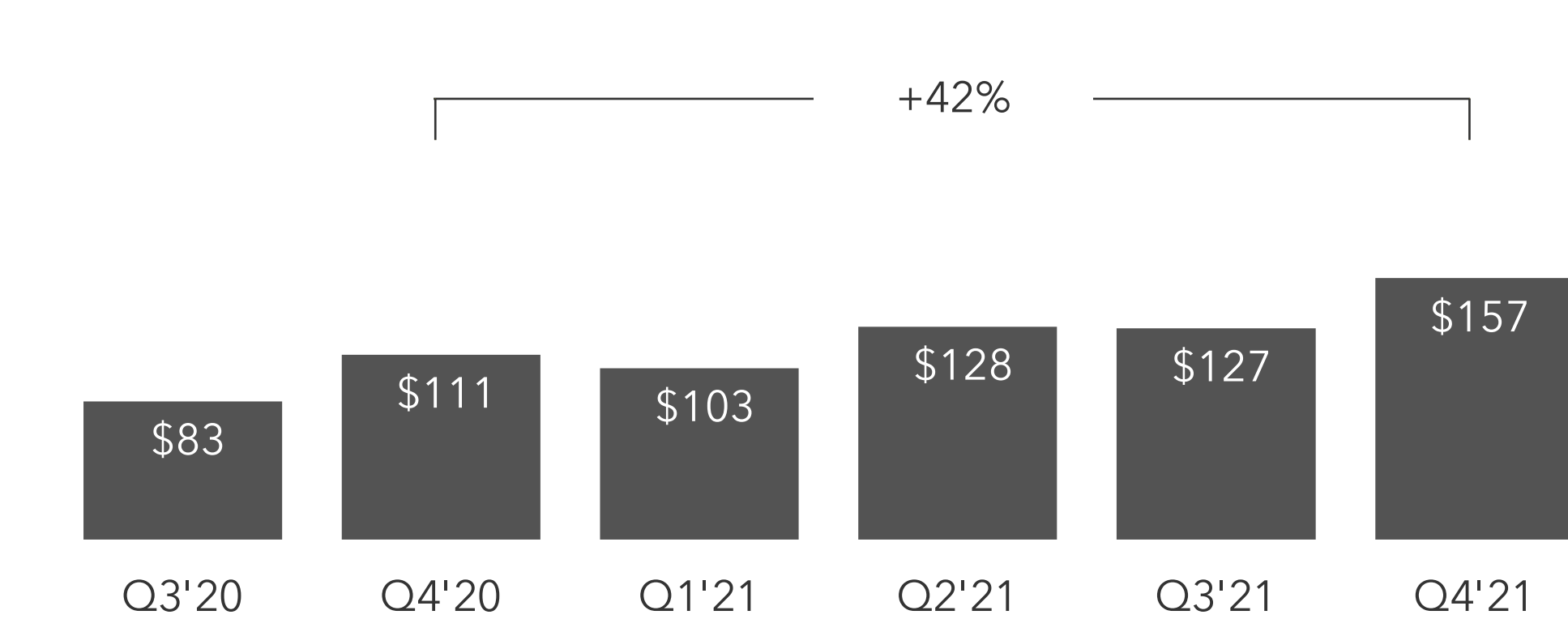
NORTH AMERICA¹



EUROPE²



REST OF WORLD



Total revenue for geographic reporting is apportioned to each region based on our determination of the geographic location in which advertising impressions are delivered, as this approximates revenue based on user activity. This allocation is consistent with how we determine ARPU.

¹North America includes Mexico, the Caribbean, and Central America.

²Europe includes Russia and Turkey.

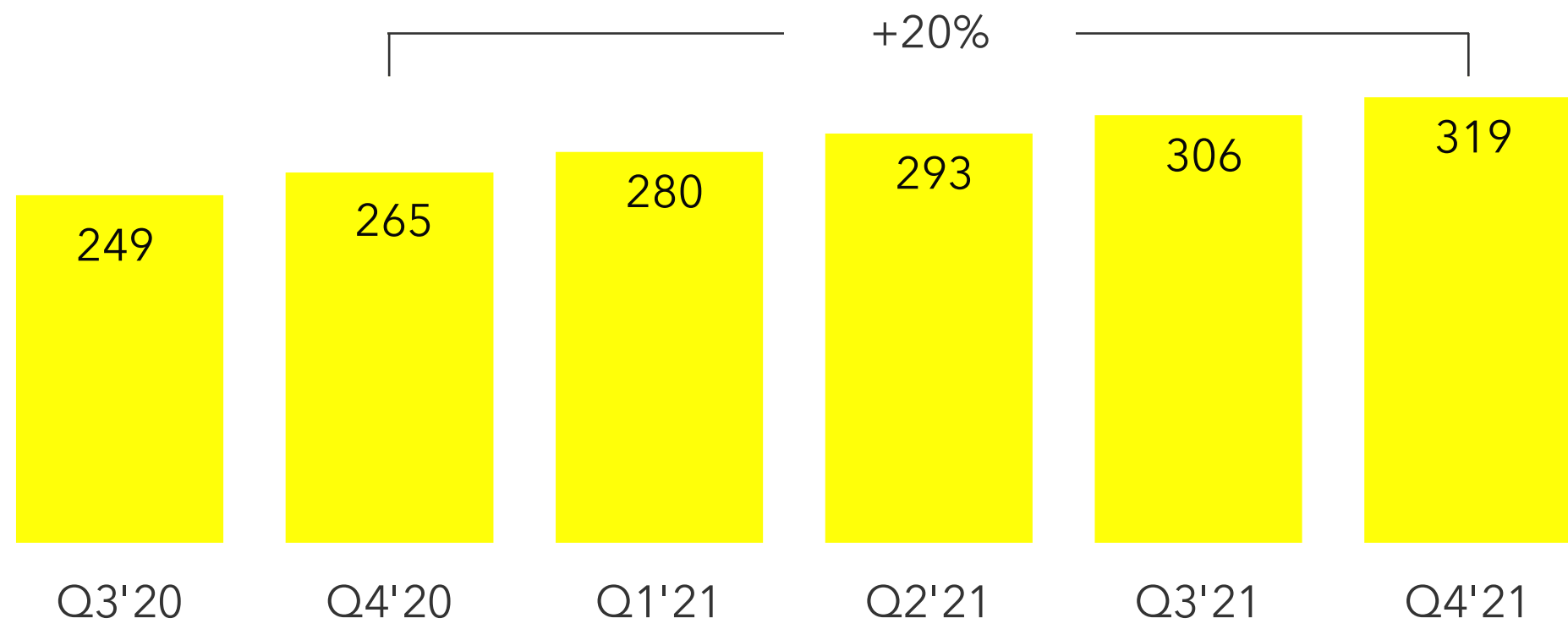
Numbers throughout presentation may not foot due to rounding.

Q4'21 REVENUE INCREASED 42% YoY TO \$1.3 BILLION
FISCAL YEAR 2021 REVENUE INCREASED 64% YoY TO \$4.1 BILLION

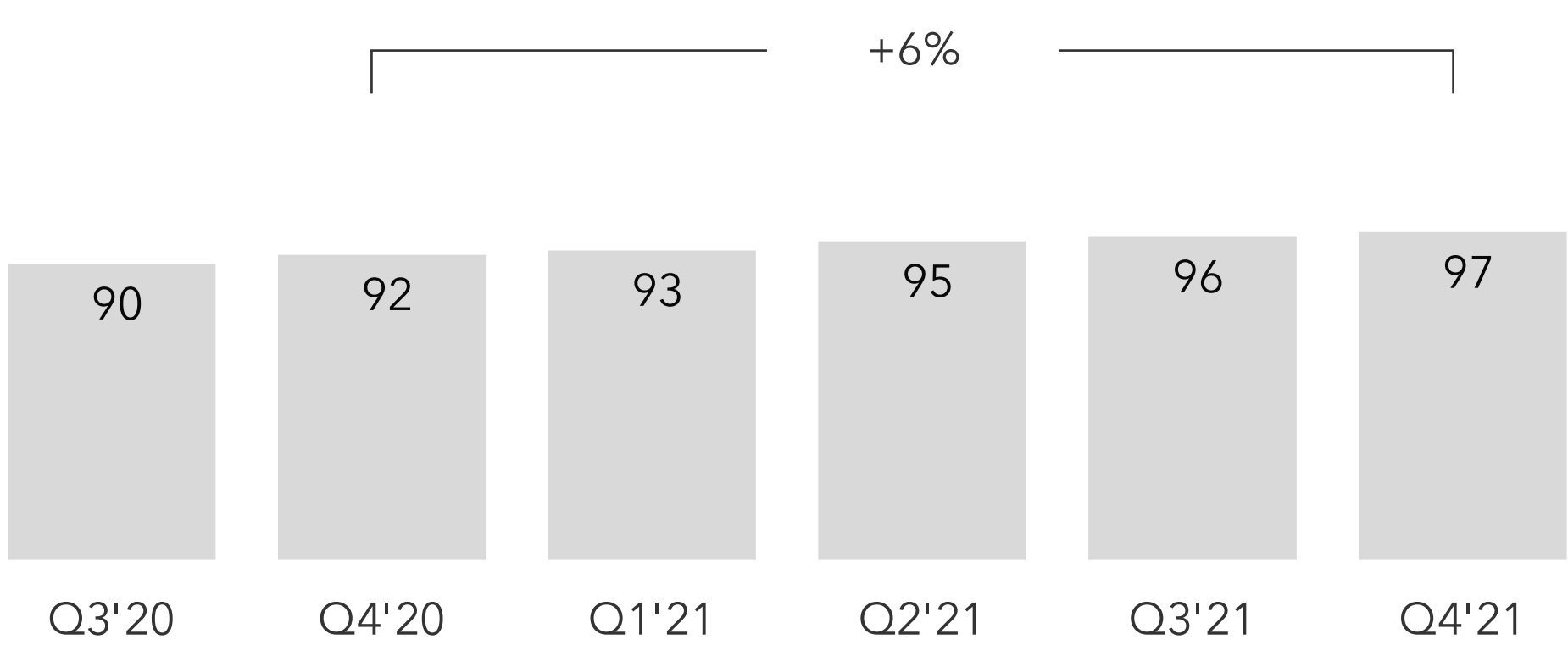
Average Daily Active Users (DAU)

(in millions, unaudited)

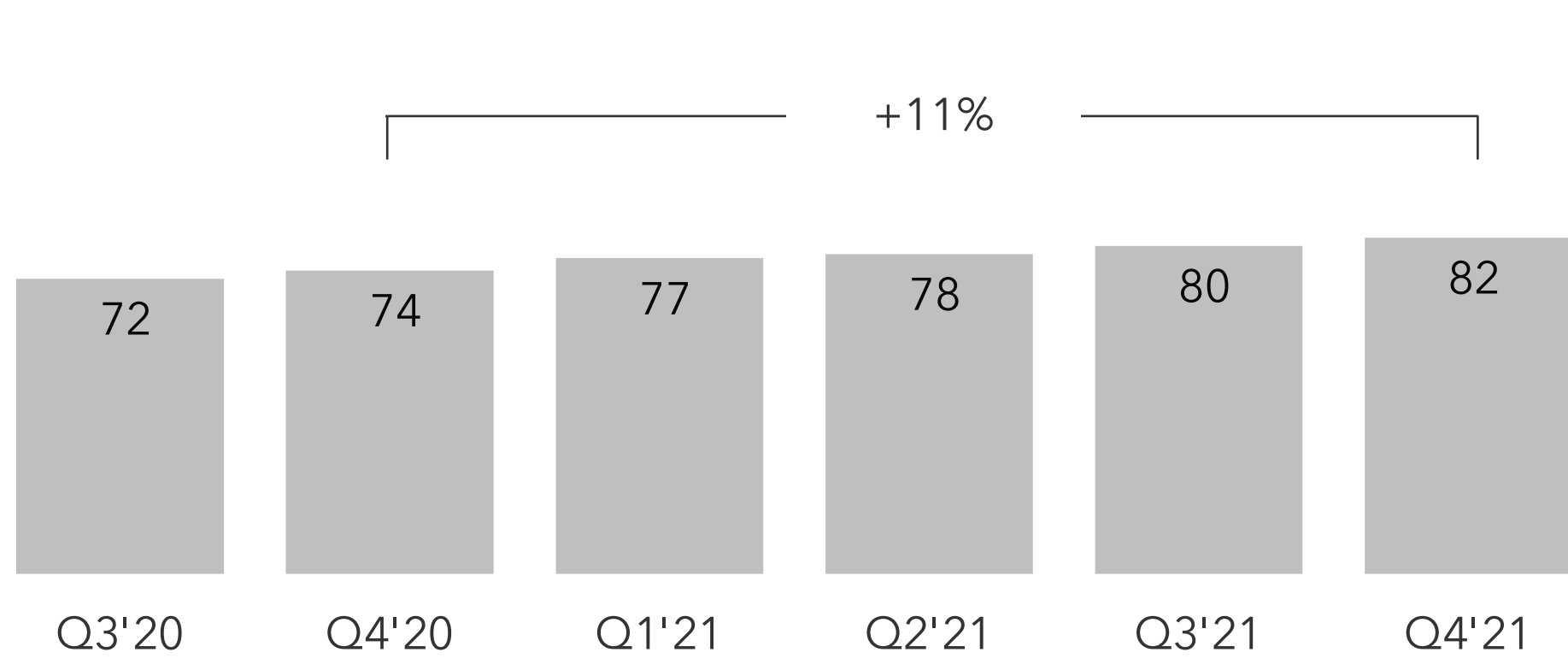
GLOBAL



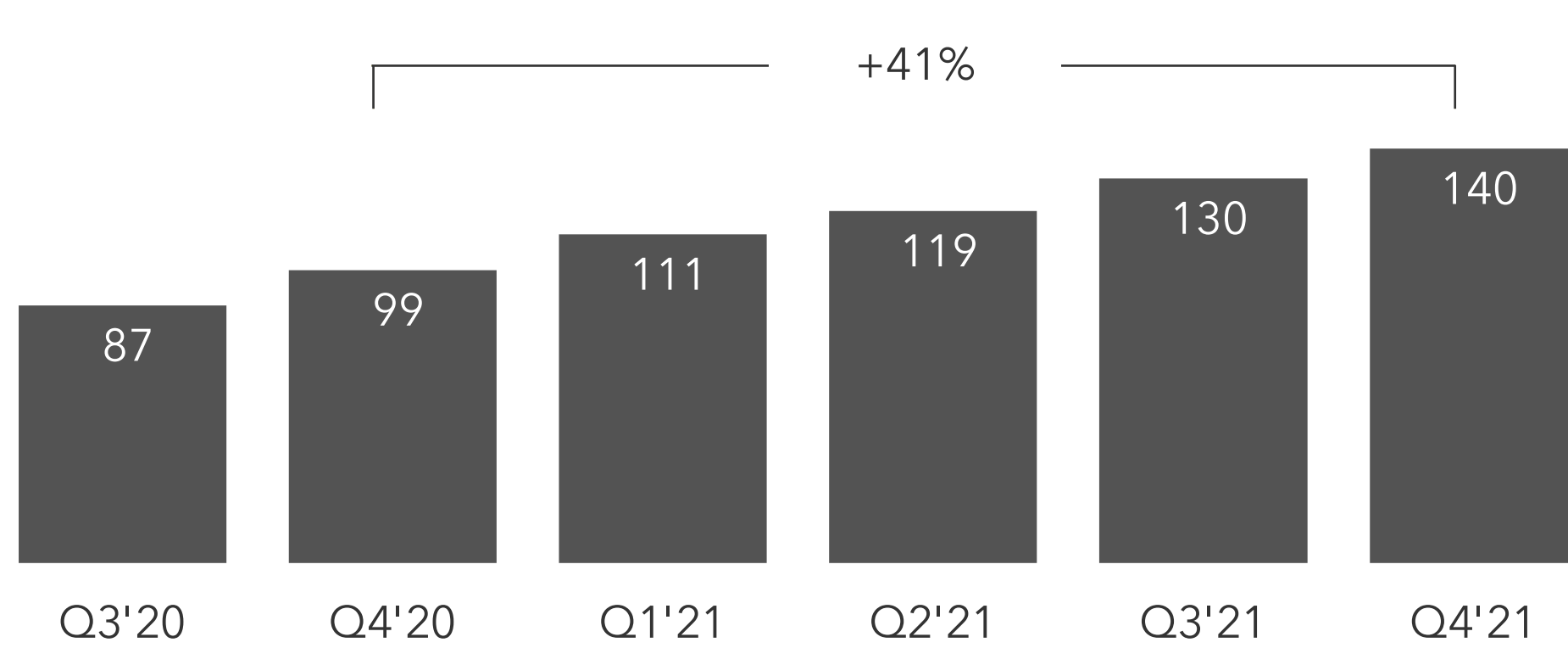
NORTH AMERICA¹



EUROPE²



REST OF WORLD



We define a Daily Active User, or DAU, as a registered Snapchat user who opens the Snapchat application at least once during a defined 24-hour period. We calculate average Daily Active Users for a particular quarter by adding the number of DAUs on each day of that quarter and dividing that sum by the number of days in that quarter.

¹North America includes Mexico, the Caribbean, and Central America.

²Europe includes Russia and Turkey.

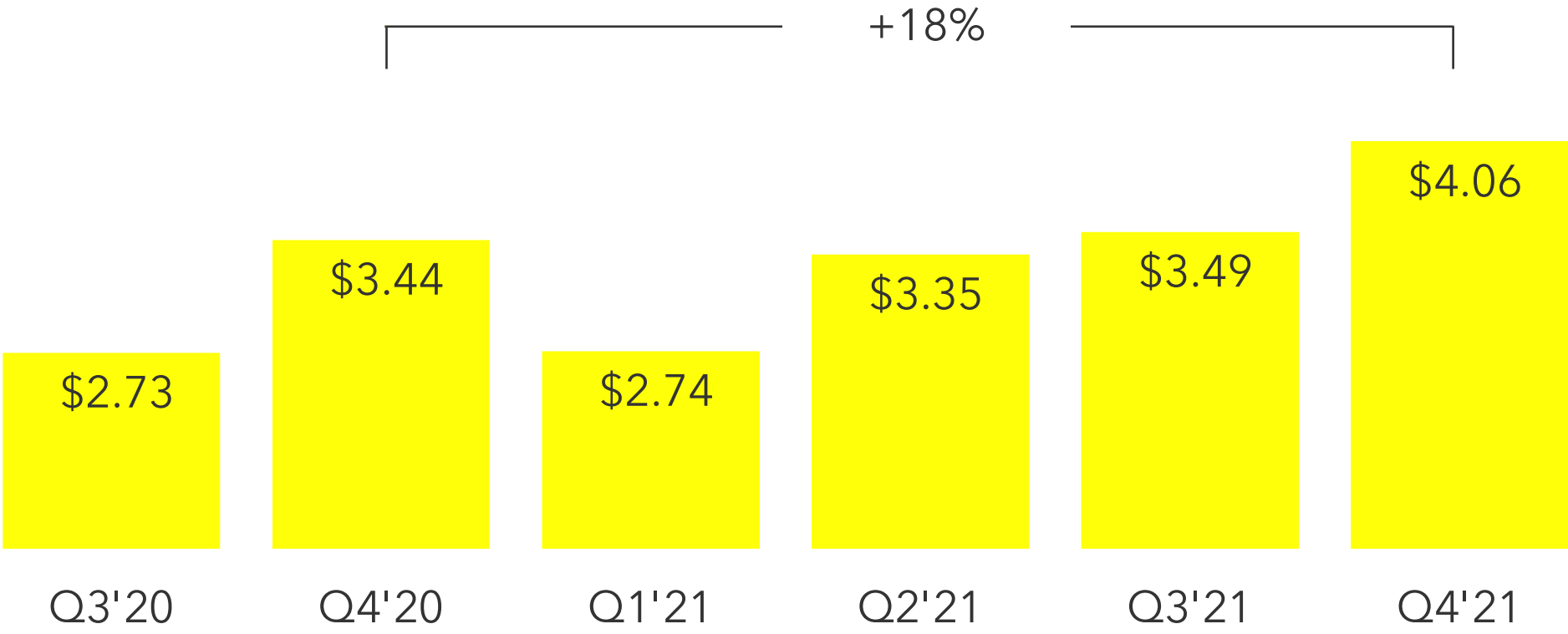
Numbers throughout presentation may not foot due to rounding.

GLOBAL DAU INCREASED 54 MILLION, OR 20%, YoY

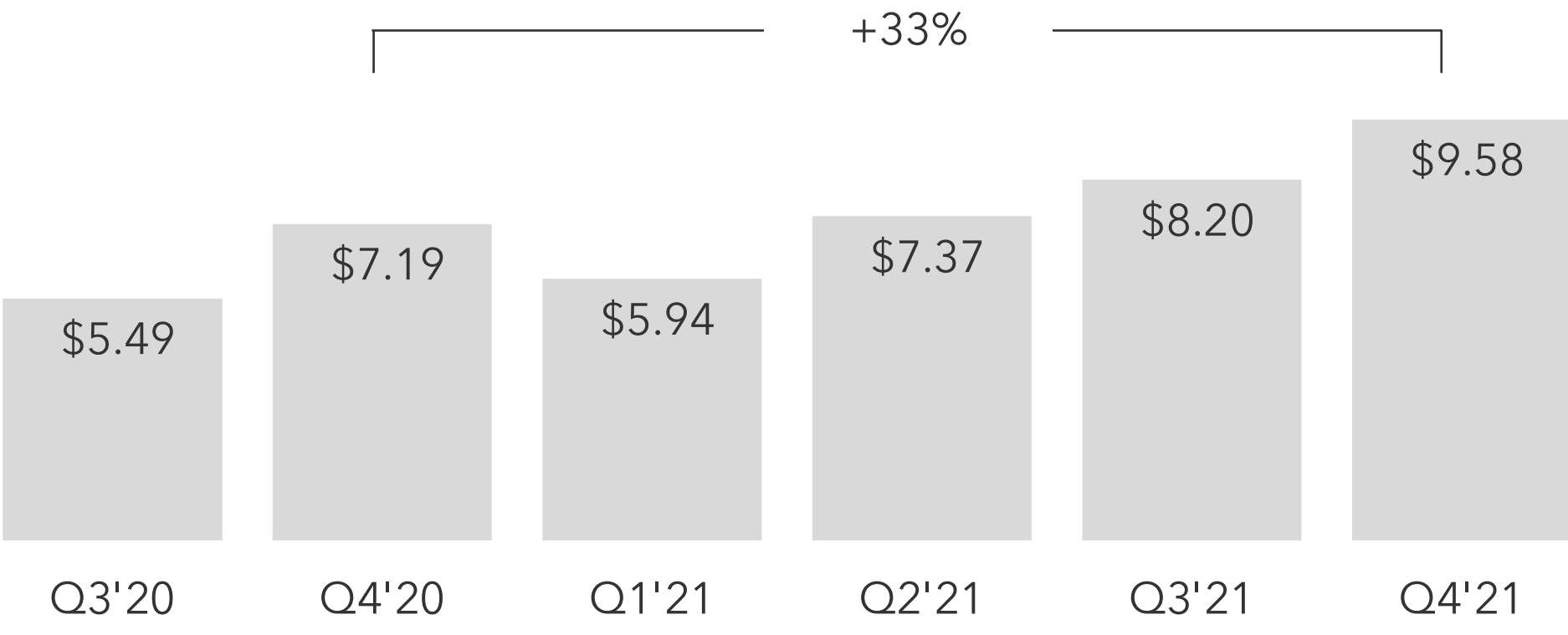
Average Revenue Per User (ARPU)

(unaudited)

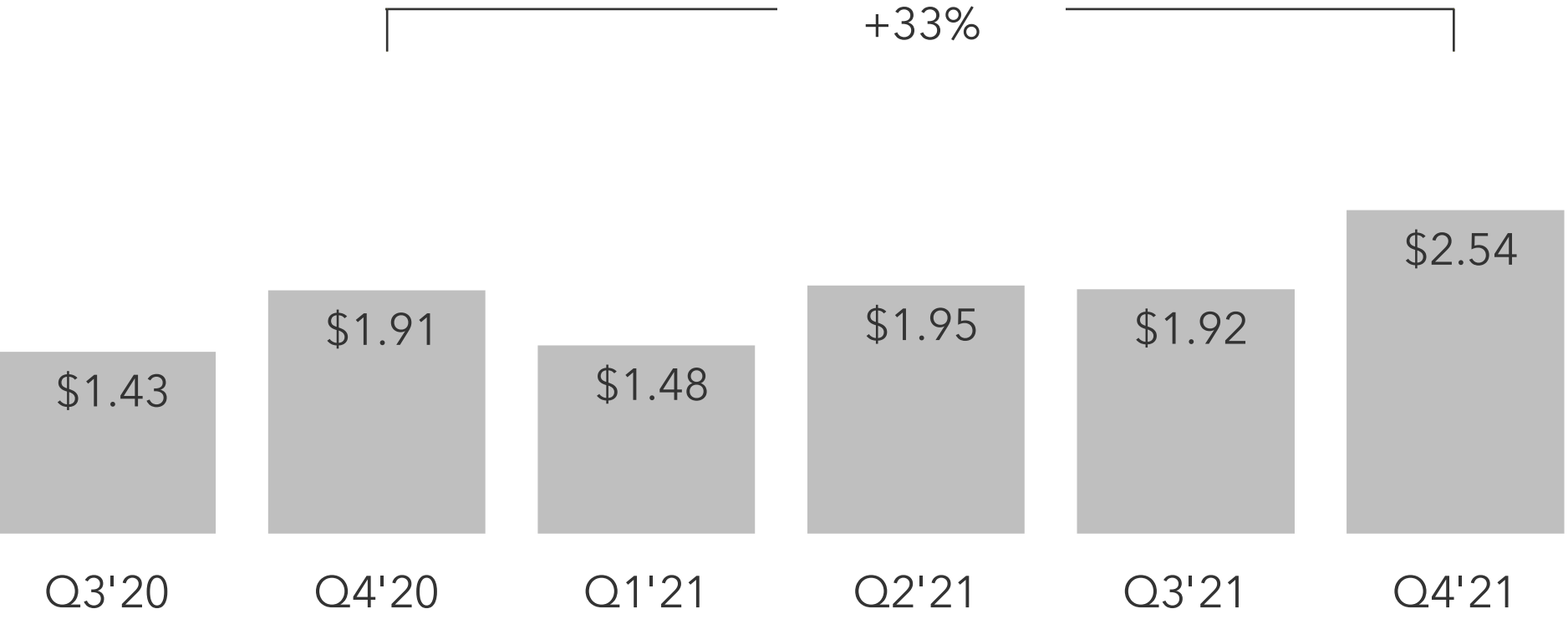
GLOBAL



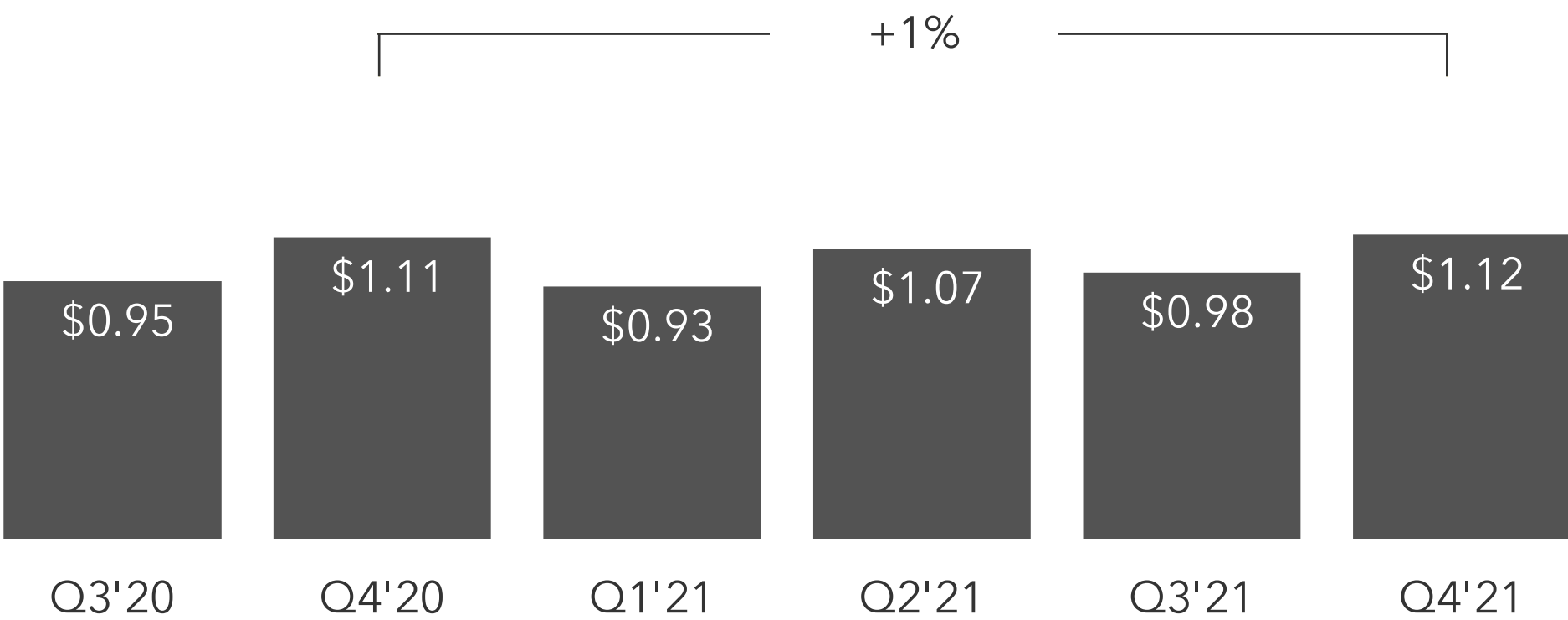
NORTH AMERICA¹



EUROPE²



REST OF WORLD



We define ARPU as quarterly revenue divided by the average Daily Active Users. For purposes of calculating ARPU, revenue by user geography is apportioned to each region based on our determination of the geographic location in which advertising impressions are delivered, as this approximates revenue based on user activity.

¹North America includes Mexico, the Caribbean, and Central America.

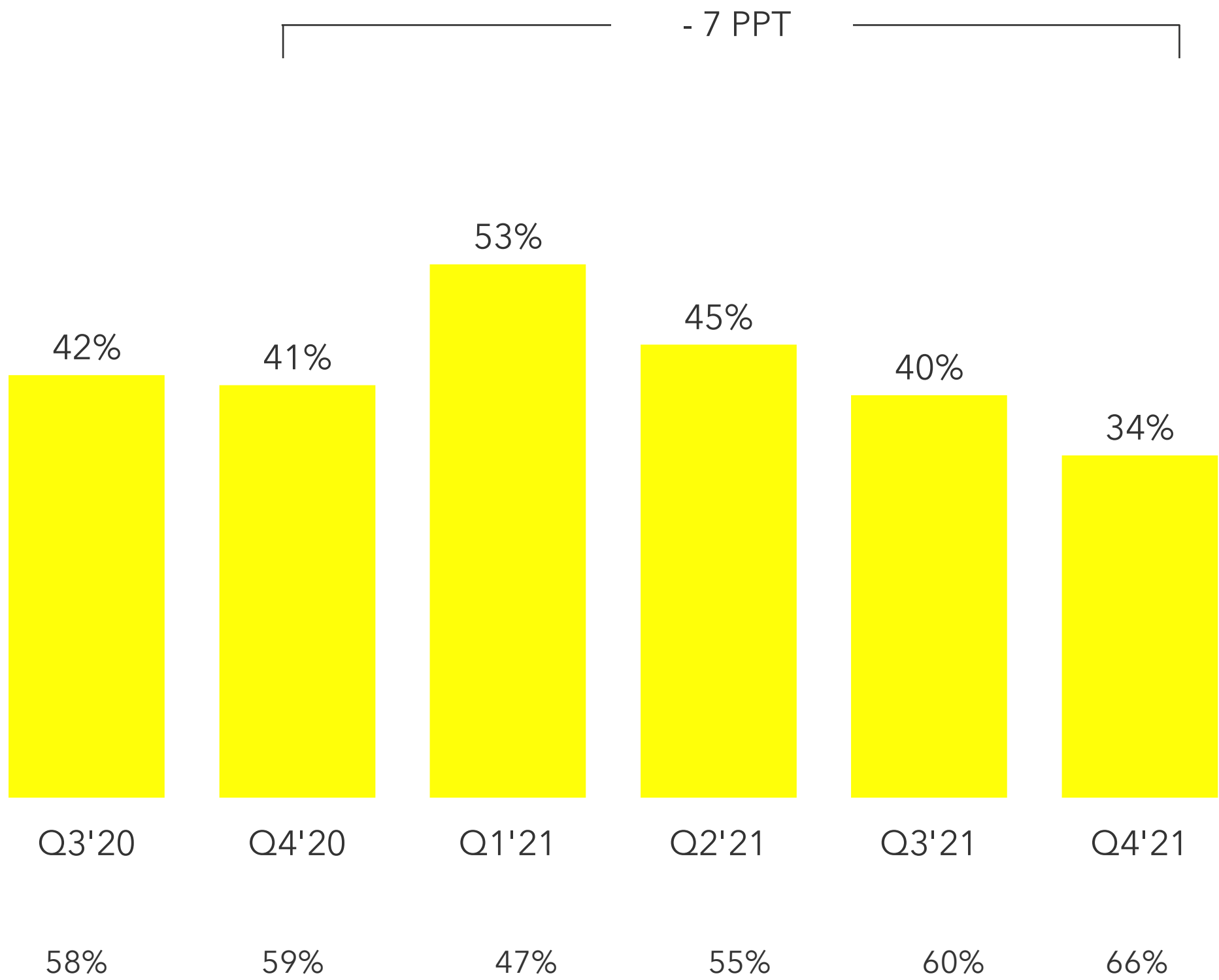
²Europe includes Russia and Turkey.

Numbers throughout presentation may not foot due to rounding.

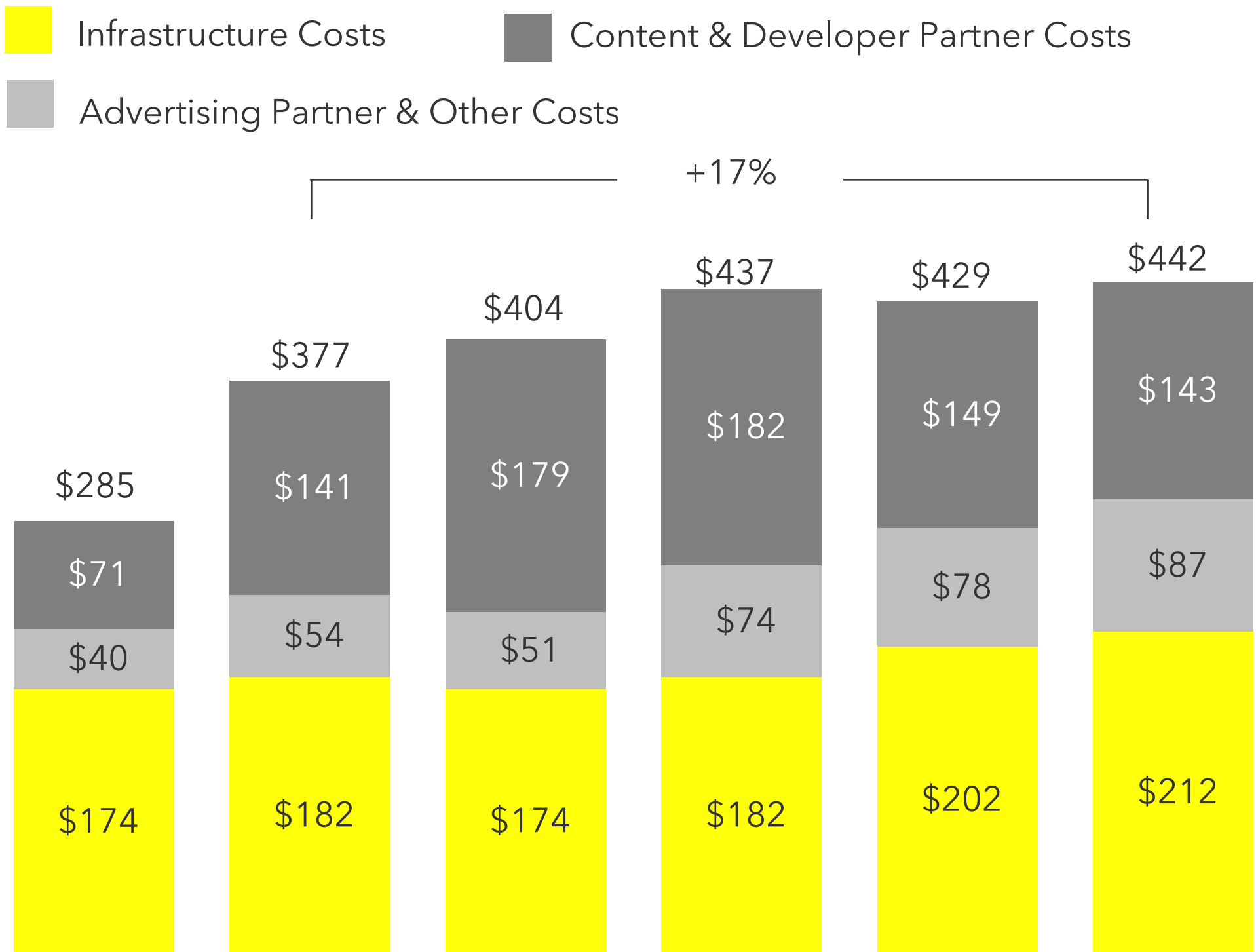
GLOBAL ARPU INCREASED 18% YoY
NORTH AMERICA ARPU INCREASED 33% YoY

Adjusted Cost of Revenue¹

ADJUSTED COST OF REVENUE AS A % OF REVENUE



COST OF REVENUE COMPOSITION²
(in millions, unaudited)



Total Non-GAAP Exclusions¹

Total GAAP Cost of Revenue

\$8	\$9	\$8	\$8	\$14	\$8
\$293	\$386	\$413	\$445	\$443	\$449

¹Excludes stock-based compensation expense and other payroll related tax expense, depreciation and amortization, and certain other non-cash or non-recurring items impacting net income (loss) from time to time.

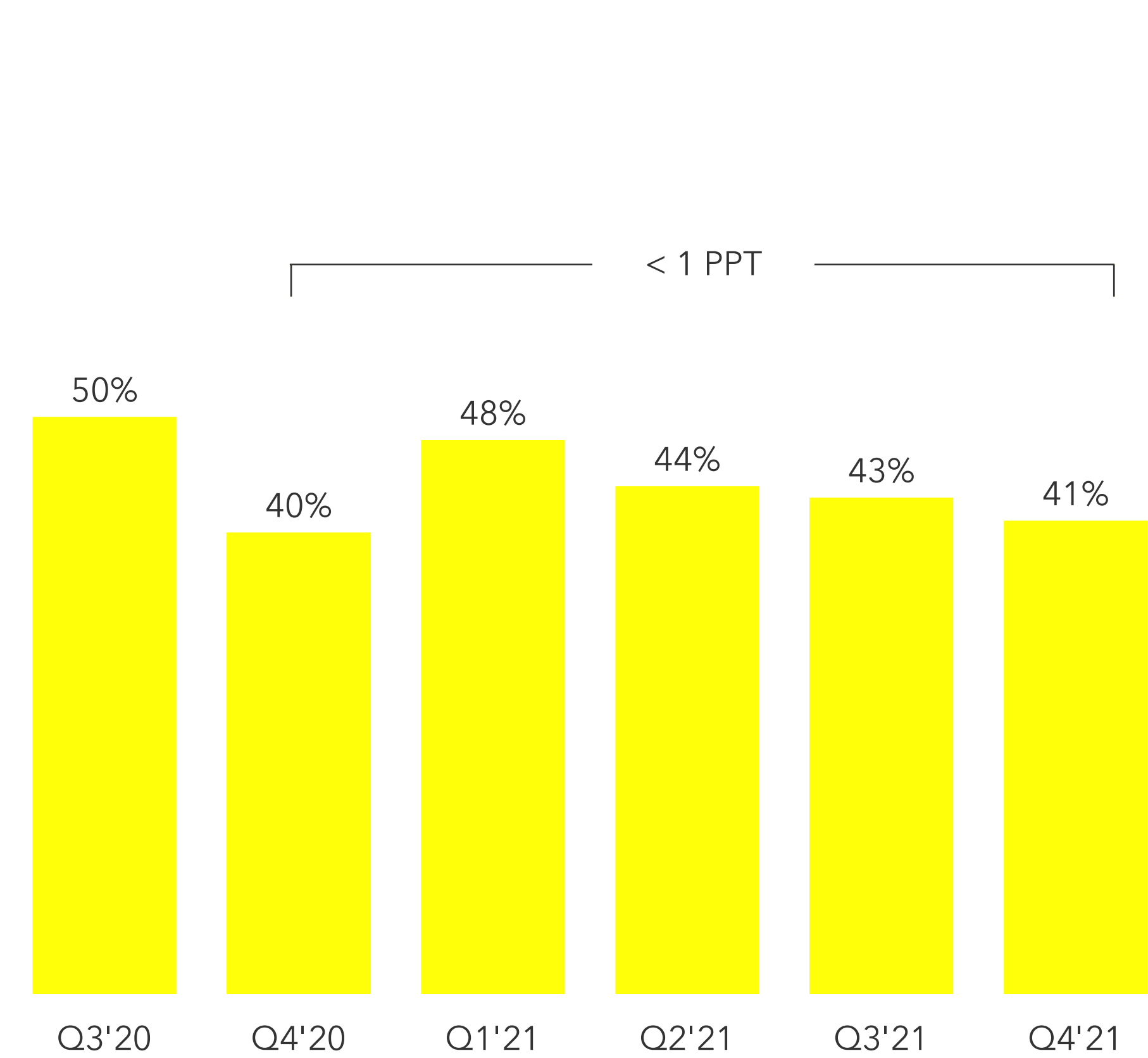
²In Q1 2021, we updated the presentation of our cost of revenue composition.

Numbers throughout presentation may not foot due to rounding.

ADJUSTED GROSS MARGIN¹ IMPROVED 7 PPT YoY

Adjusted Operating Expenses¹

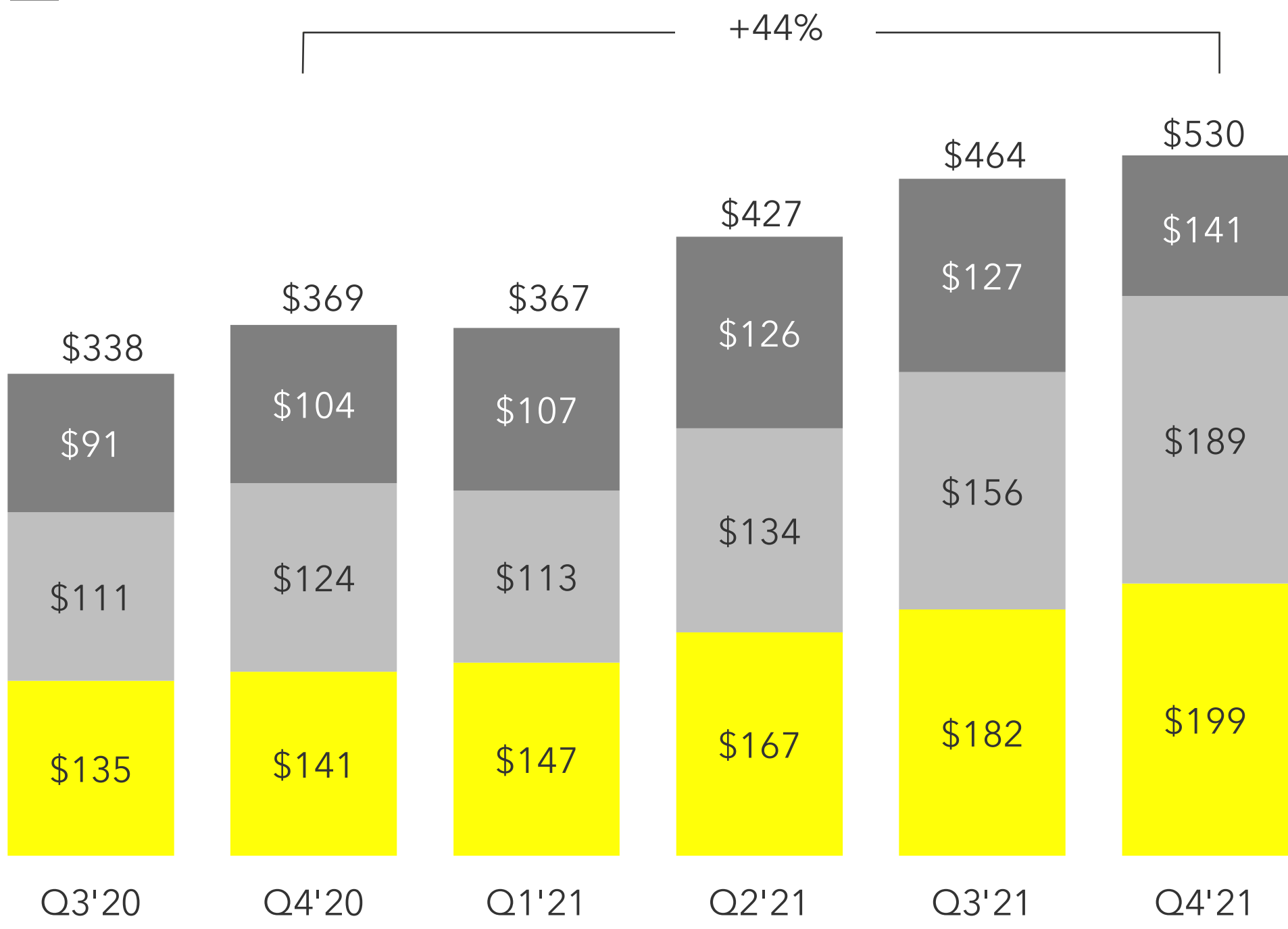
ADJUSTED OPERATING EXPENSES AS A % OF REVENUE



OPERATING EXPENSES COMPOSITION

(in millions, unaudited)

- Research and Development
- Sales and Marketing
- General and Administrative



Total Non-GAAP Exclusions¹

Total GAAP Operating Expenses

Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21
\$216	\$254	\$294	\$302	\$341	\$344
\$553	\$623	\$661	\$730	\$805	\$874

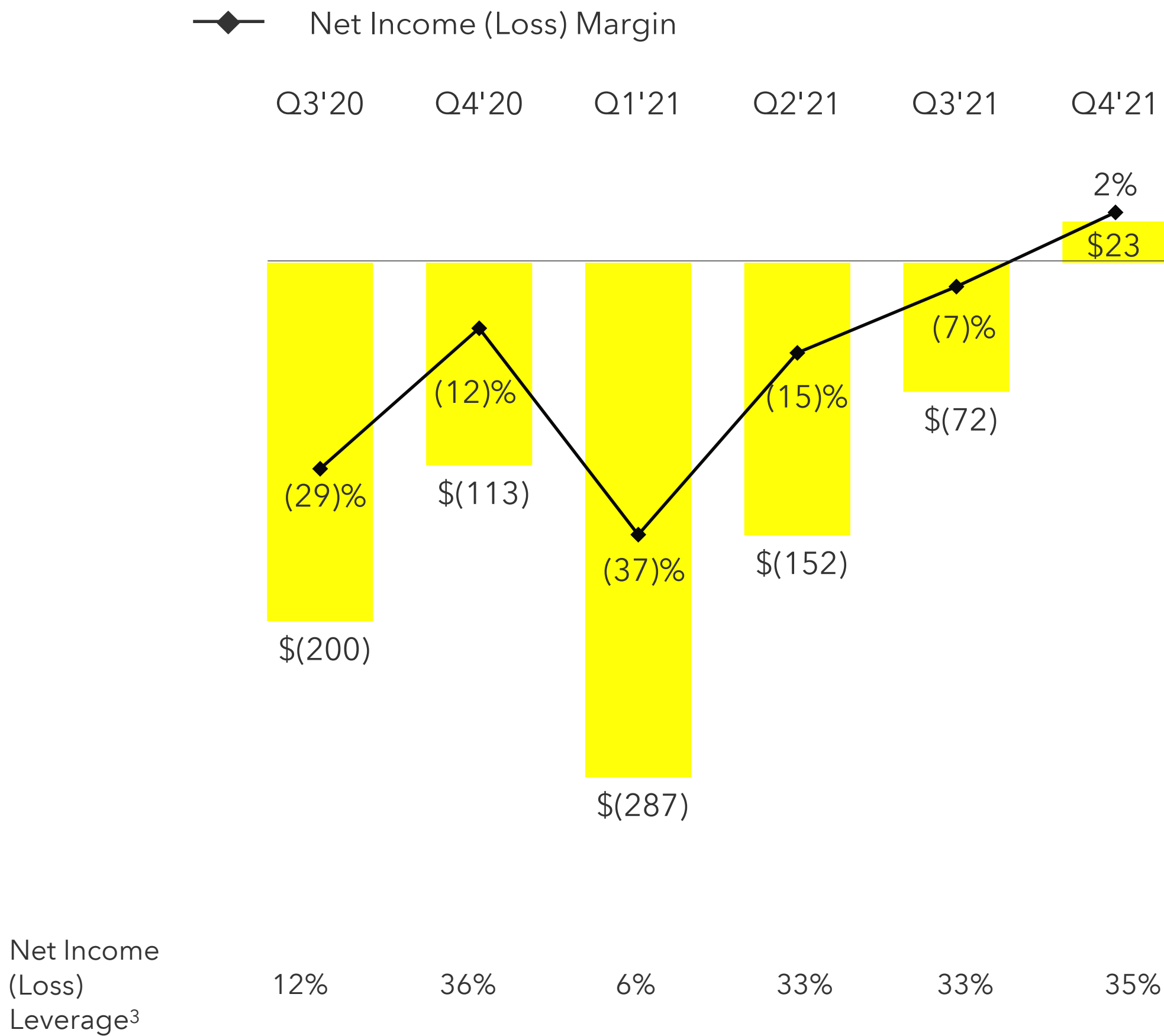
¹Excludes stock-based compensation expense and other payroll related tax expense, depreciation and amortization and certain other non-cash or non-recurring items impacting net income (loss) from time to time. Numbers throughout presentation may not foot due to rounding.

ADJUSTED OPERATING EXPENSES AS A % OF REVENUE REMAINED FLAT YoY

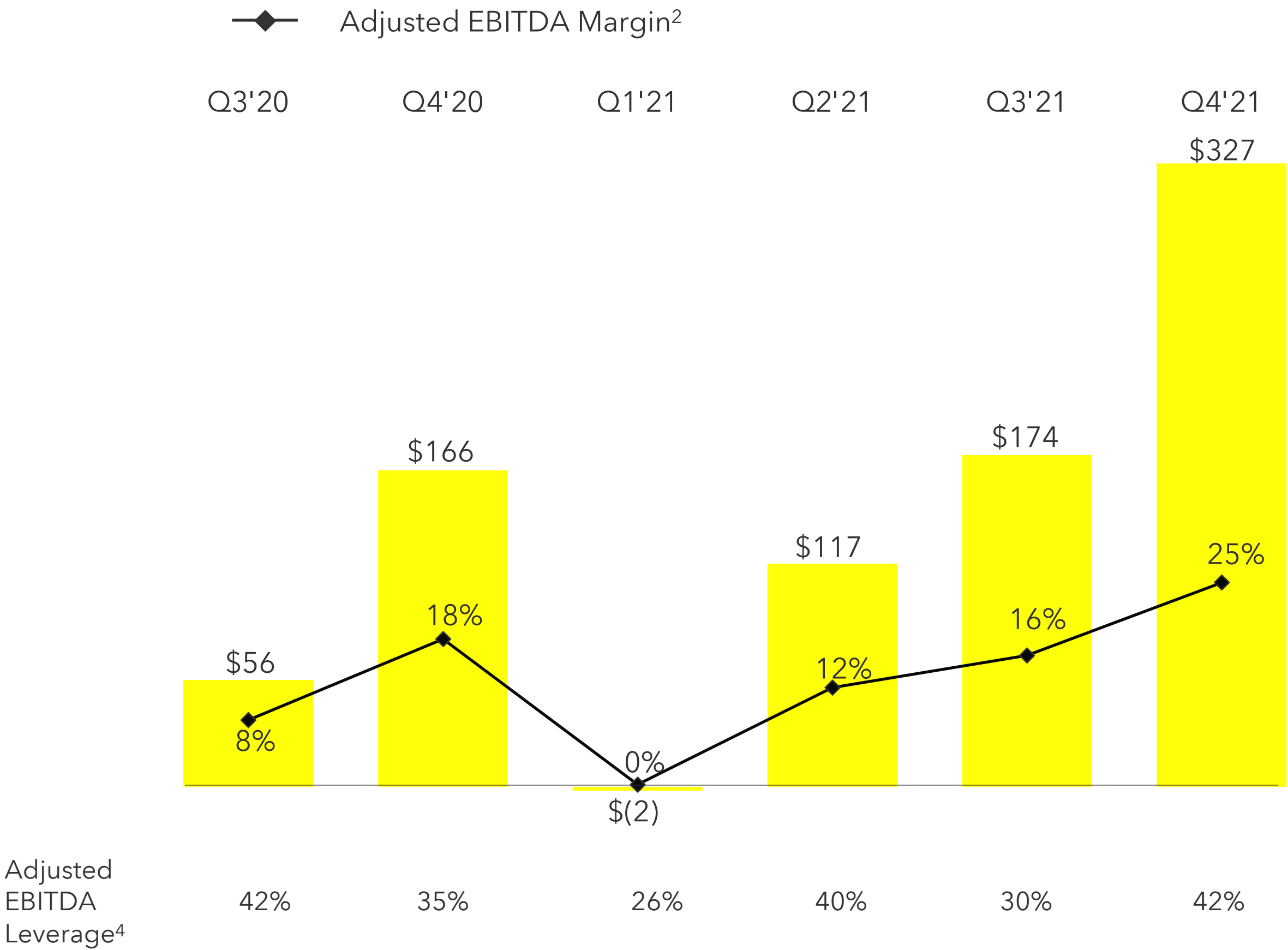
Net Income (Loss) & Adjusted EBITDA¹

(dollars in millions, unaudited)

NET INCOME (LOSS)



ADJUSTED EBITDA



¹We define Adjusted EBITDA as net income (loss), excluding interest income; interest expense; other income (expense), net; income tax benefit (expense); depreciation and amortization; stock-based compensation expense and other payroll related tax expense; and certain other non-cash or non-recurring items impacting net income (loss) from time to time. See Appendix for reconciliation of net loss to Adjusted EBITDA.

²We define Adjusted EBITDA margin as Adjusted EBITDA divided by GAAP revenue.

³We define Net Income (Loss) leverage as the year-over-year change in Net Income (Loss) divided by the year-over-year change in GAAP revenue.

⁴We define Adjusted EBITDA leverage as the year-over-year change in Adjusted EBITDA divided by the year-over-year change in GAAP revenue.

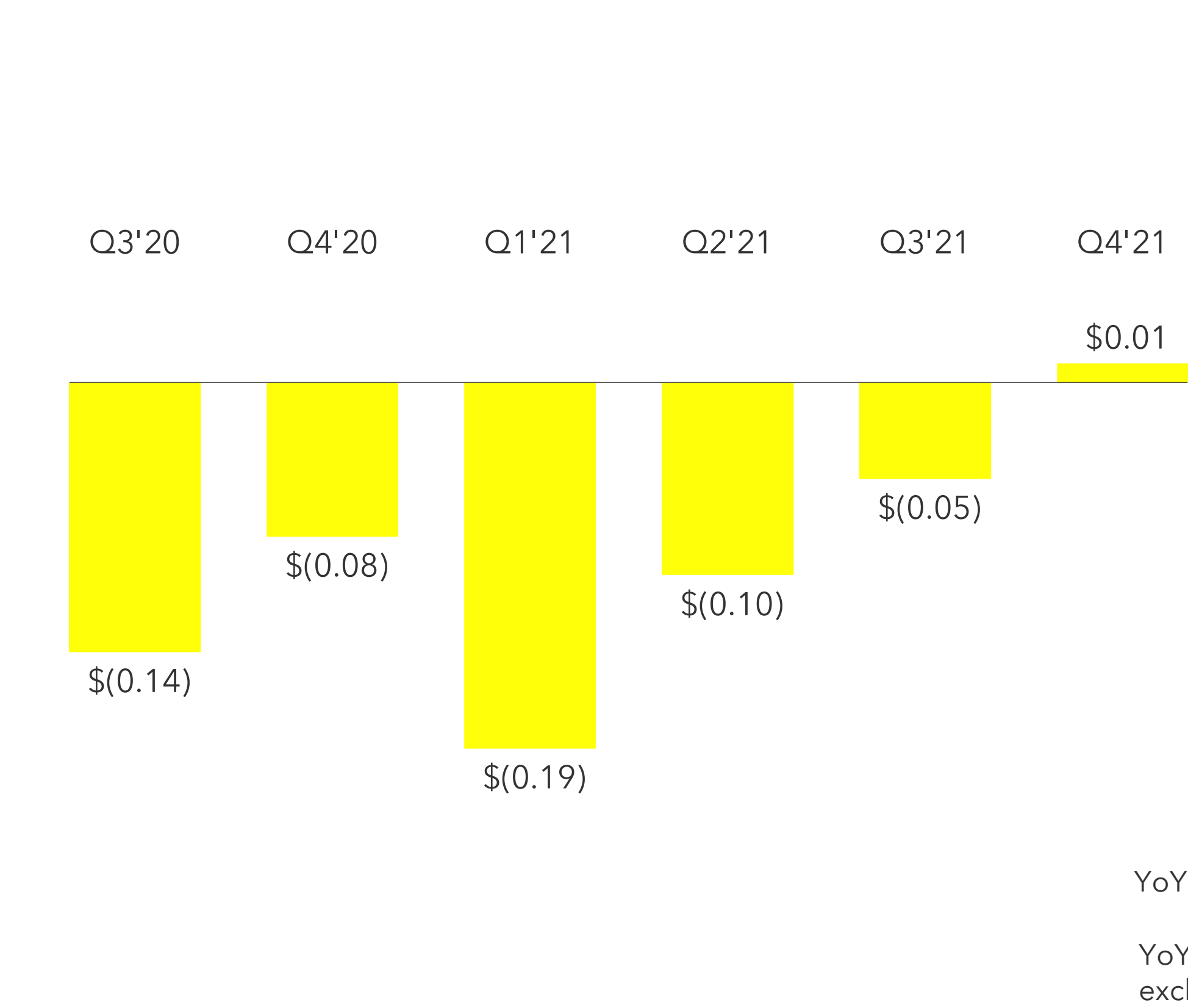
Numbers throughout presentation may not foot due to rounding.

SECOND CONSECUTIVE FULL YEAR OF ADJUSTED EBITDA PROFITABILITY
FIRST QUARTER OF POSITIVE NET INCOME AS A PUBLIC COMPANY

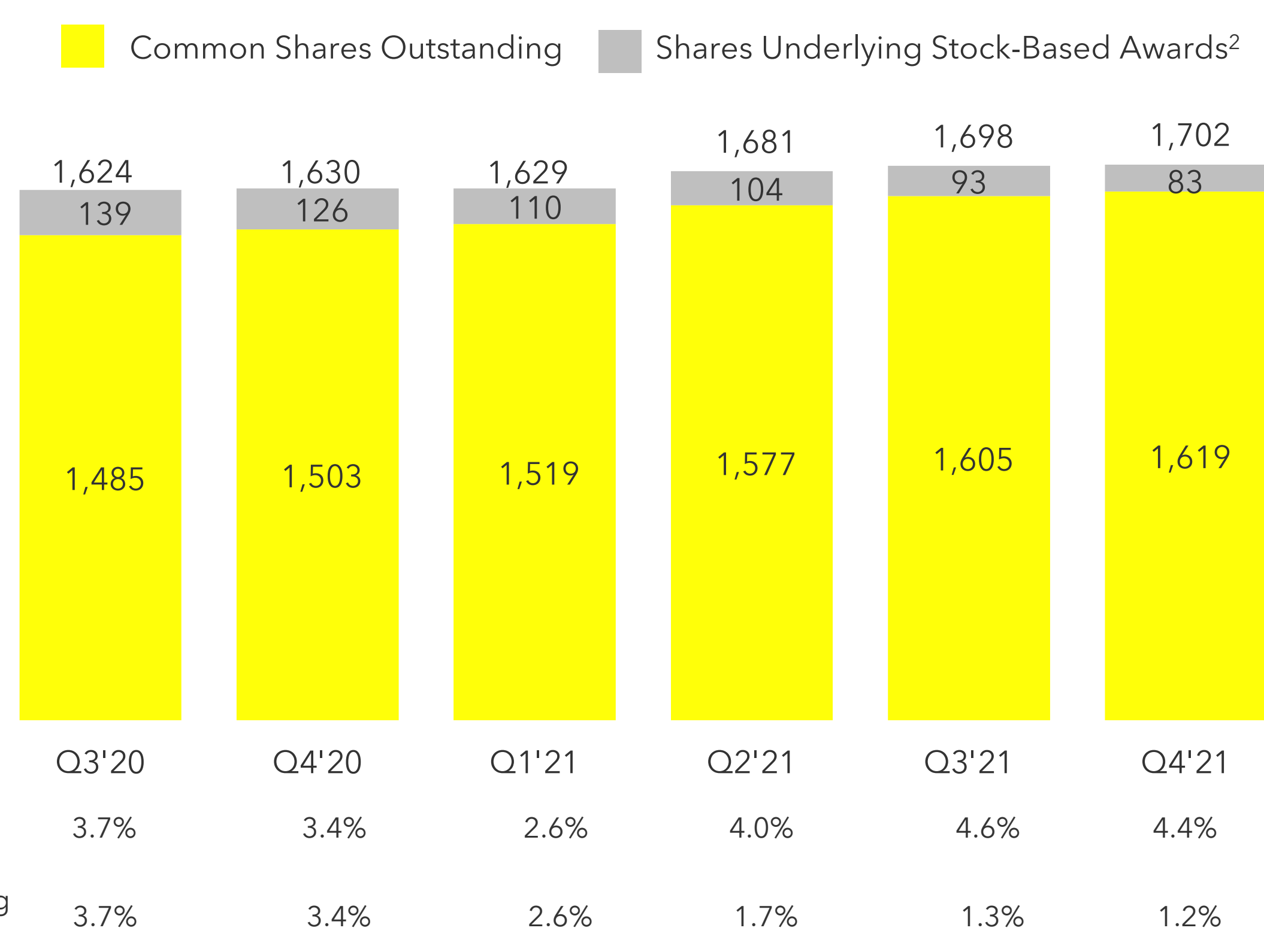
Diluted Net Income (Loss) Per Share & Common Shares Outstanding Plus Shares Underlying Stock-Based Awards

(in millions, except per share data, unaudited)

DILUTED NET INCOME (LOSS) PER SHARE¹



COMMON SHARES OUTSTANDING PLUS SHARES UNDERLYING STOCK-BASED AWARDS



¹Diluted net loss per share is calculated using weighted average shares outstanding during the period. Diluted net income per share in Q4 includes 64 million shares in excess of weighted average shares outstanding during the period primarily related to unvested or unexercised stock-based awards.

²Shares underlying stock-based awards include restricted stock units, restricted stock awards, and outstanding stock options.

³YoY change in Q2 2021 excludes approximately 38 million shares, while YoY changes in Q3 2021 and Q4 2021 excludes approximately 52 million shares issued as part of the induced conversions of convertible notes.

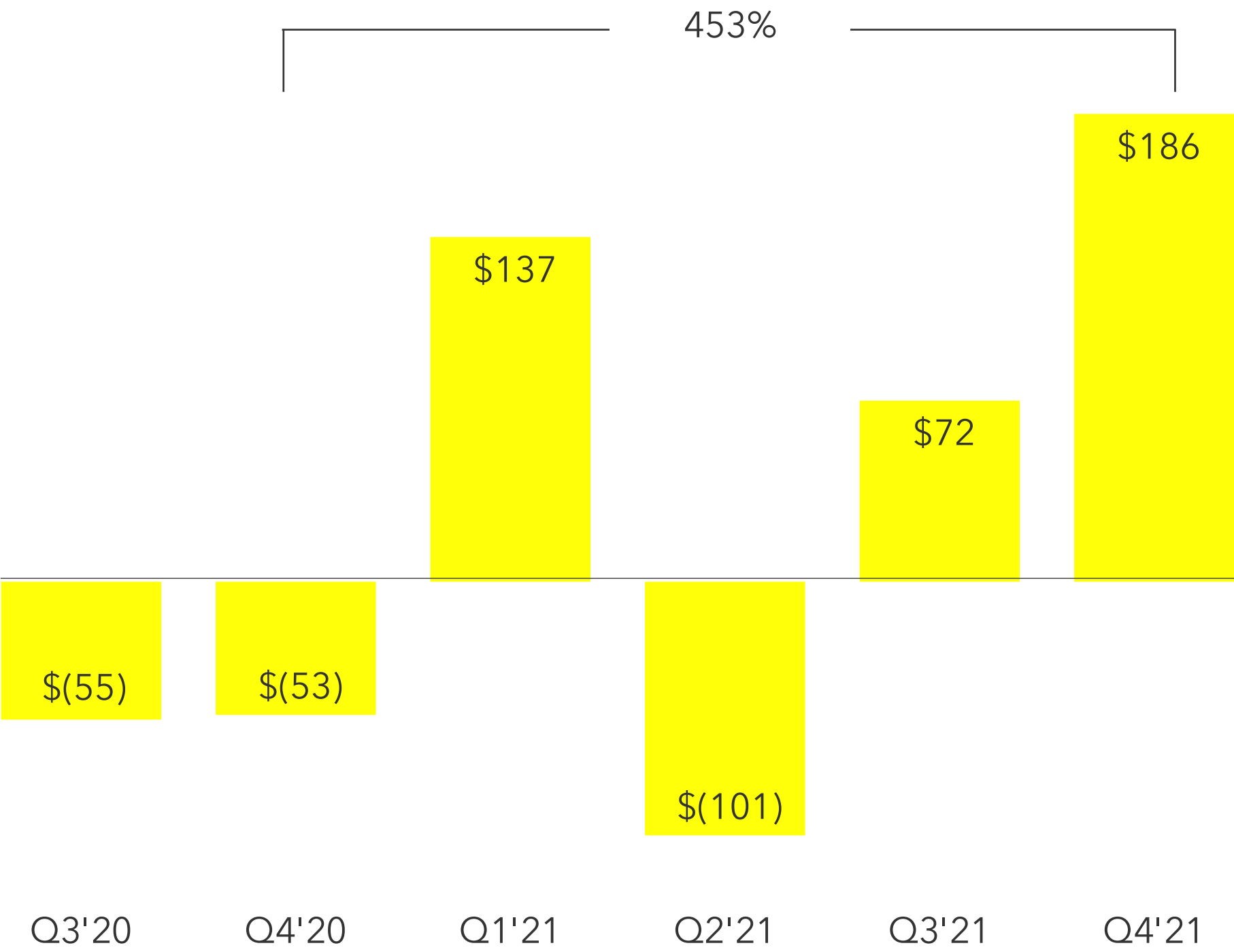
Numbers throughout presentation may not foot due to rounding.

DILUTED NET INCOME PER SHARE IMPROVED \$0.09 YoY

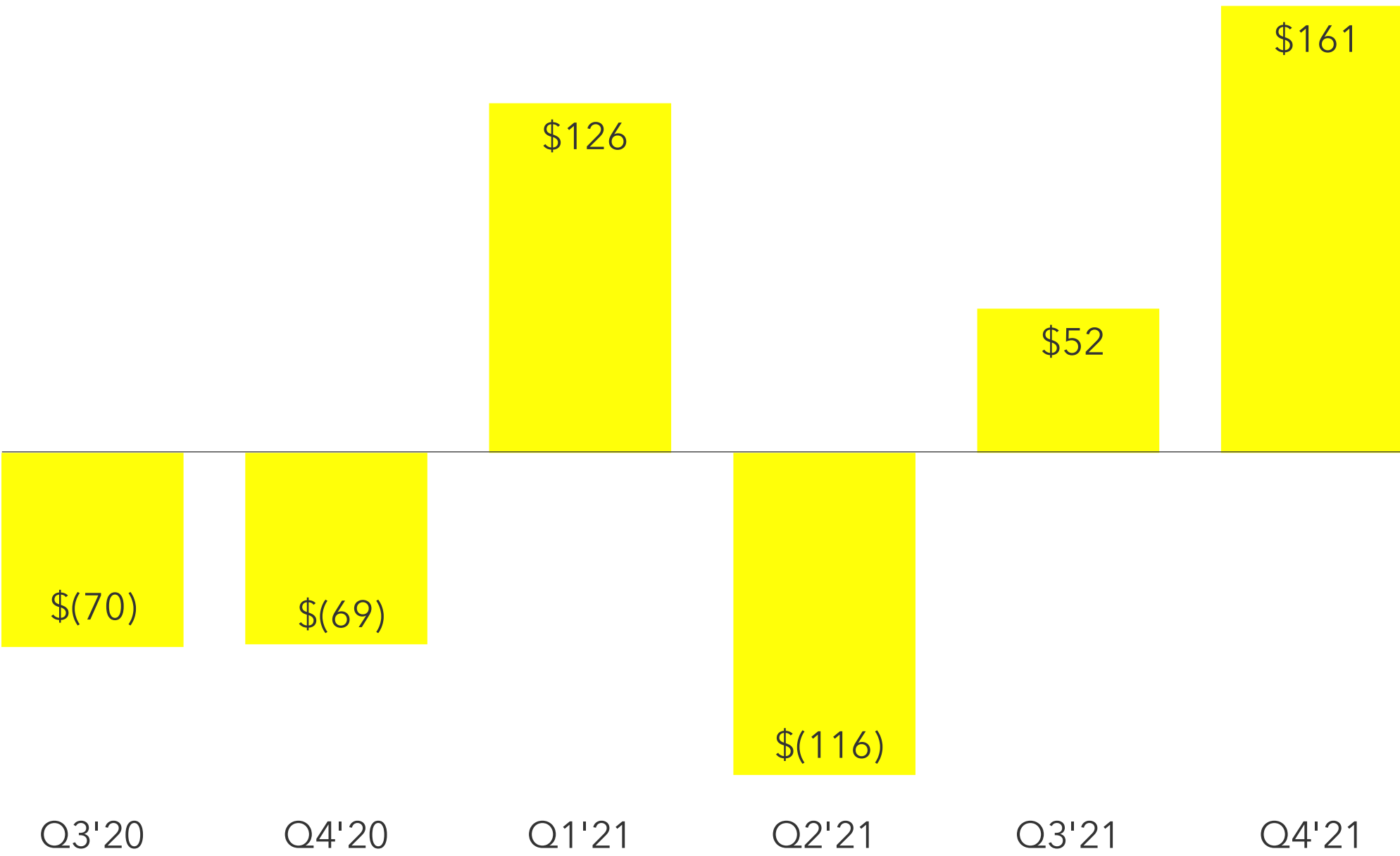
Operating Cash Flow and Free Cash Flow¹

(in millions, unaudited)

OPERATING CASH FLOW



FREE CASH FLOW



Capex	\$(15)	\$(16)	\$(11)	\$(15)	\$(20)	\$(25)
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YoY Change	17%	9%	2,835%	(41)%	174%	333%
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¹We define Free Cash Flow as net cash provided by (used in) operating activities, reduced by purchases of property and equipment. See Appendix for reconciliation of net cash provided by (used in) operating activities to Free Cash Flow.
Operating cash flow and free cash flow in Q4'20 includes a \$98 million payment for a non-recurring legal settlement related to a securities class action, accrued in 2019.
Numbers throughout presentation may not foot due to rounding.

FIRST FULL YEAR OF POSITIVE FREE CASH FLOW OF \$223 MILLION
FREE CASH FLOW IMPROVED \$230 MILLION YoY

Full Year Highlights

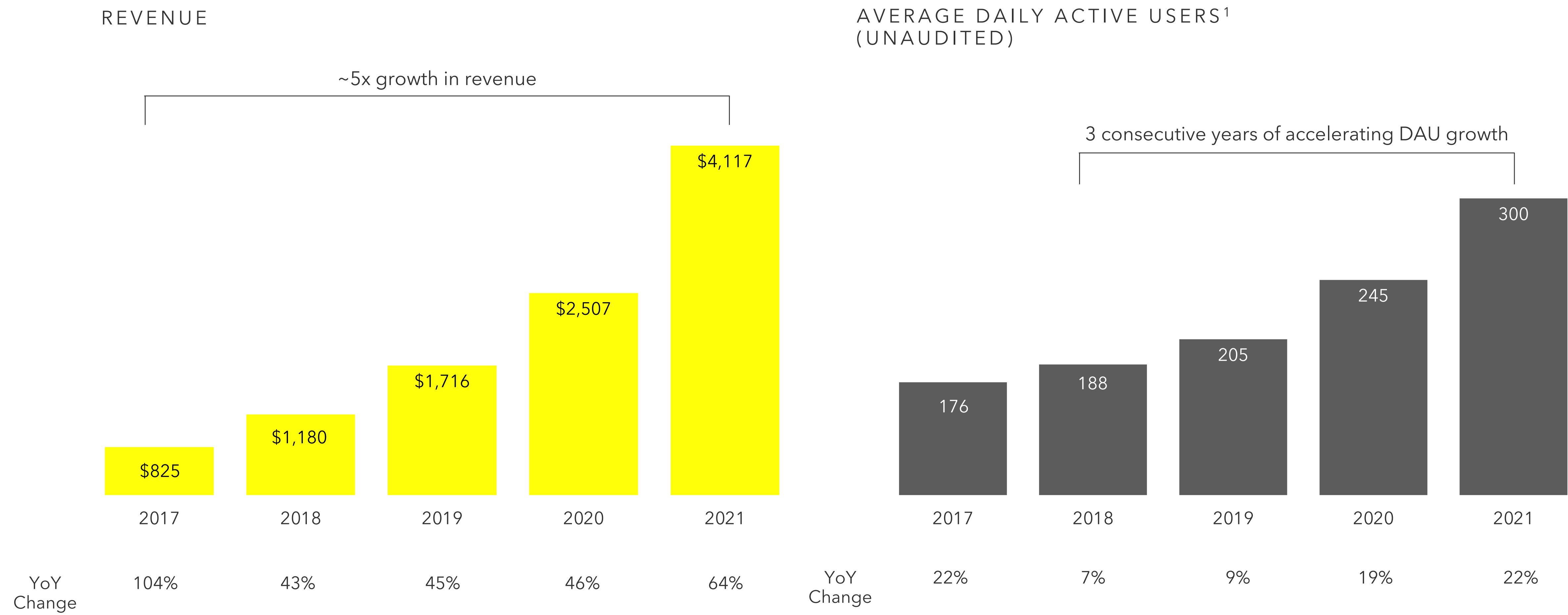
Full Year Financial Highlights

Revenue	<ul style="list-style-type: none">• Revenue increased 64% YoY to reach \$4.1 billion in 2021.• Average revenue per user¹ increased 35% YoY to reach \$13.65 in 2021.
Operating Performance	<ul style="list-style-type: none">• Operating margin improved 17 PPT YoY to (17)% in 2021.• Adjusted gross margin² improved 4 PPT YoY to 58% in 2021.• Net loss improved by \$457 million YoY to \$(488) million in 2021.• Adjusted EBITDA improved by \$572 million YoY to \$617 million in 2021.• Adjusted EBITDA margin³ improved 13 PPT YoY to 15% in 2021.
Cash	<ul style="list-style-type: none">• Operating cash flow was \$293 million in 2021, compared to \$(168) million in 2020.• Free Cash Flow was \$223 million in 2021, compared to \$(225) million in 2020.• Ending cash, cash equivalents, and marketable securities were \$3.7 billion as of December 31, 2021.

¹ARPU is presented as annual ARPU, calculated as the sum of each reported quarterly Global ARPU.
²Excludes stock-based compensation expense and other payroll related tax expense, depreciation and amortization, and certain other non-cash or non-recurring items impacting net income (loss) from time to time.
³We define Adjusted EBITDA margin as Adjusted EBITDA divided by GAAP revenue. See Appendix for reconciliation of net loss to Adjusted EBITDA.
Numbers throughout presentation may not foot due to rounding.

Revenue and Average Daily Active Users (DAU)

(in millions)



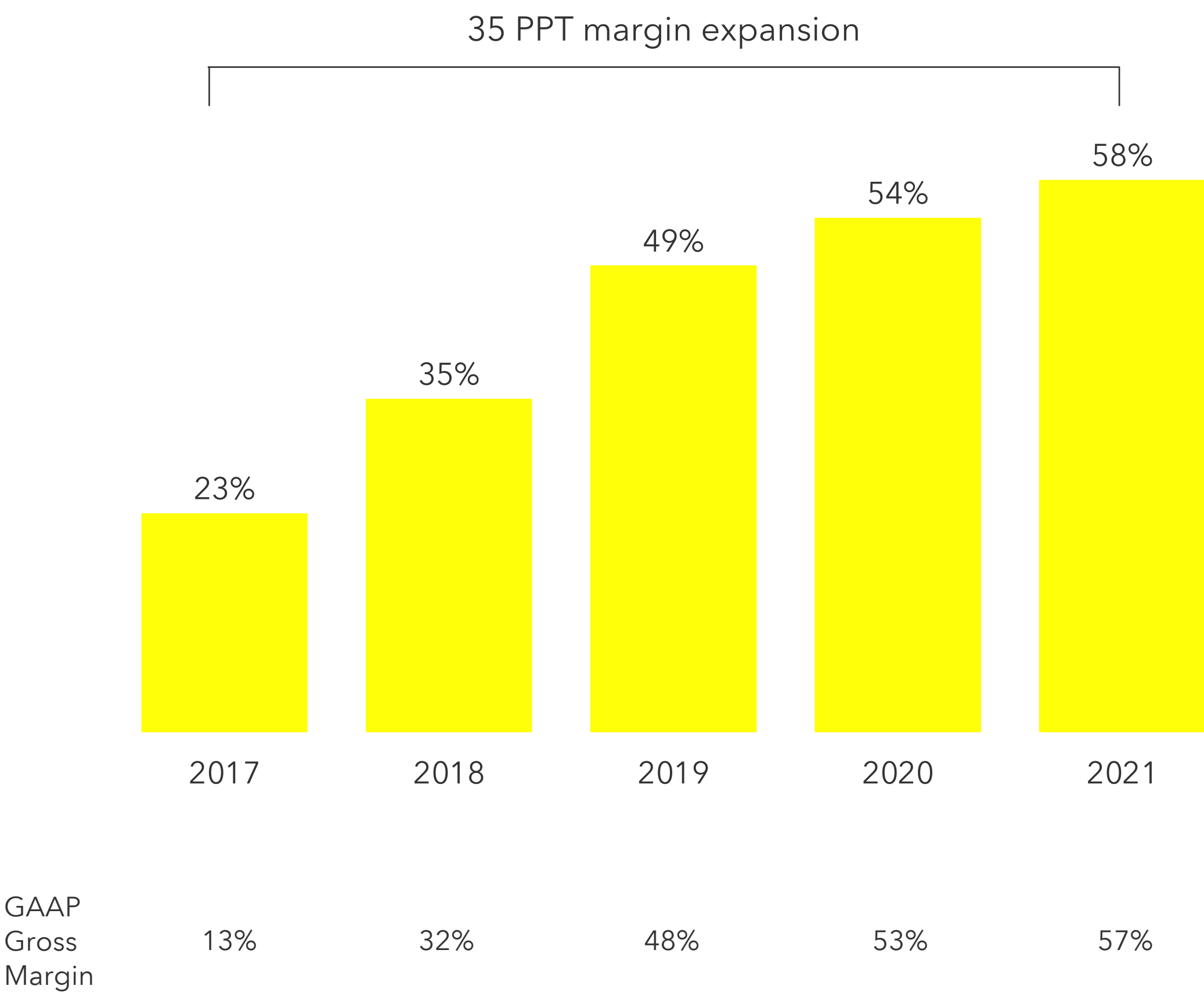
¹We define a Daily Active User, or DAU, as a registered Snapchat user who opens the Snapchat application at least once during a defined 24-hour period. We calculate average Daily Active Users for a particular quarter by adding the number of DAUs on each day of that quarter and dividing that sum by the number of days in that quarter. Average Daily Active Users in this slide is presented as annual DAU, calculated as the average of each quarterly DAU. Numbers throughout presentation may not foot due to rounding.

REVENUE INCREASED 64% YoY TO \$4.1 BILLION
DAU INCREASED 22% YoY TO 300 MILLION

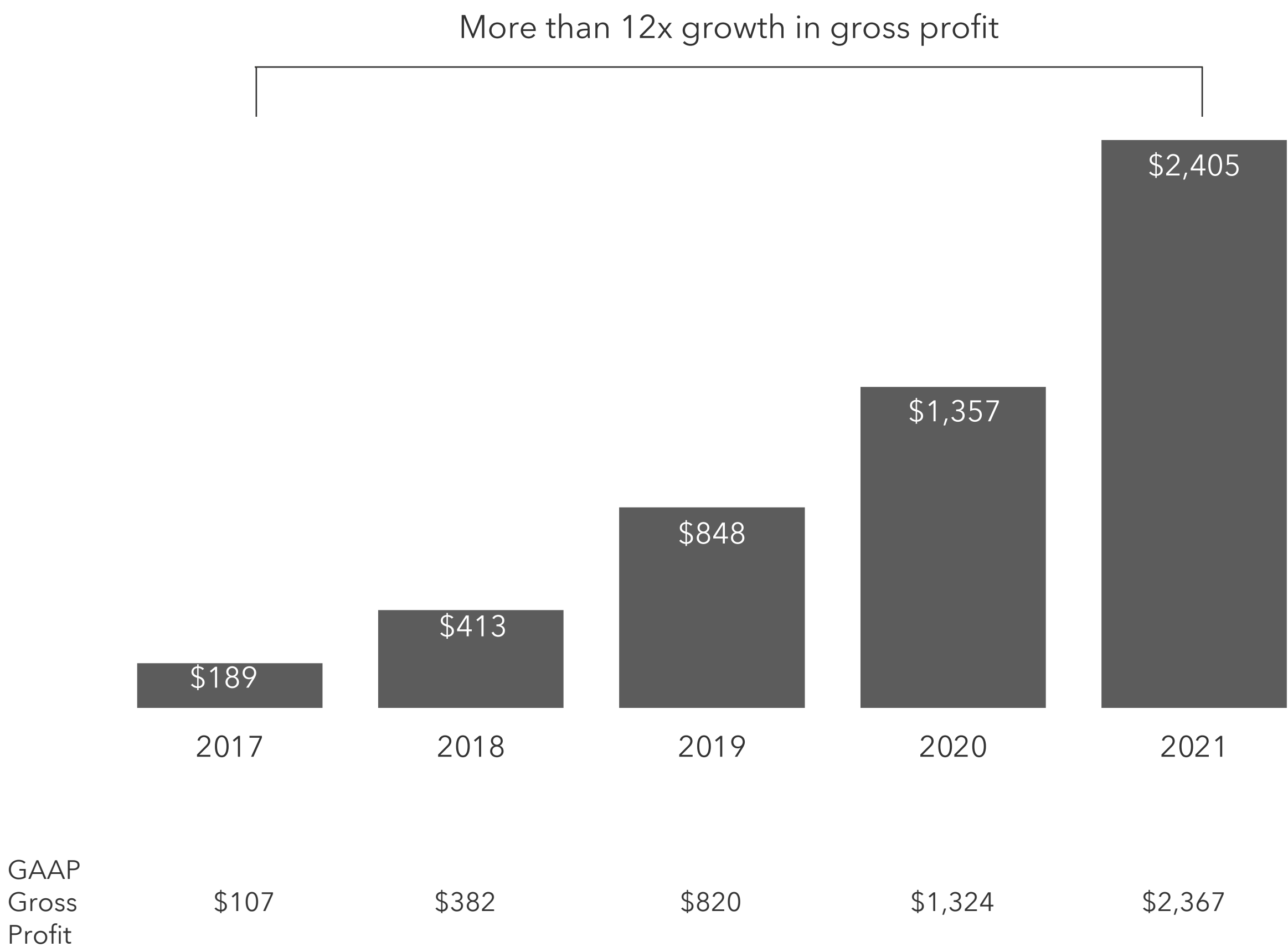
Adjusted Gross Margin¹ & Adjusted Gross Profit¹

(dollars in millions)

ADJUSTED GROSS MARGIN



ADJUSTED GROSS PROFIT



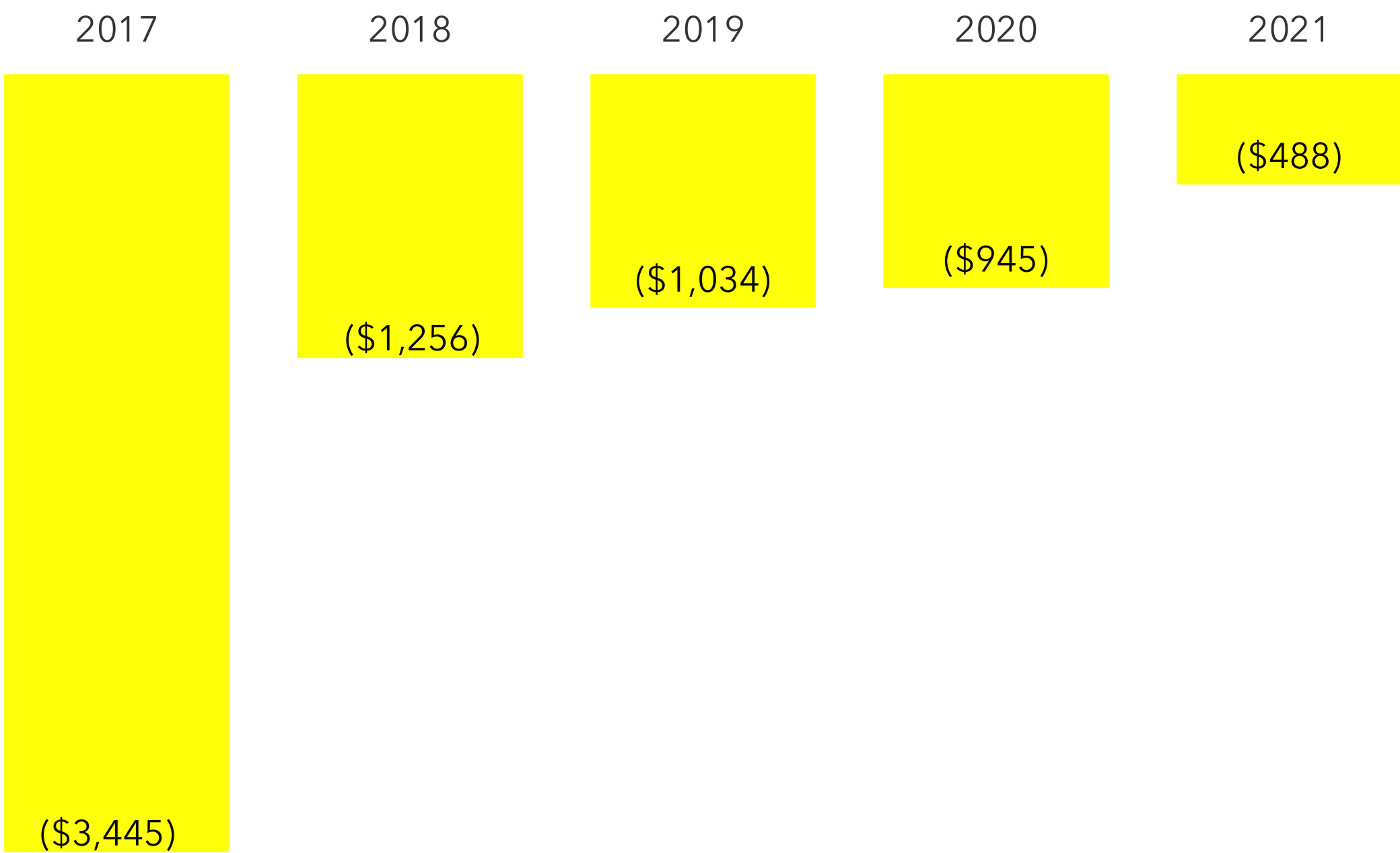
¹Excludes stock-based compensation expense and other payroll related tax expense, depreciation and amortization, and certain other non-cash or non-recurring items impacting net income (loss) from time to time. Numbers throughout presentation may not foot due to rounding.

ADJUSTED GROSS PROFIT INCREASED 77% YoY TO \$2.4 BILLION

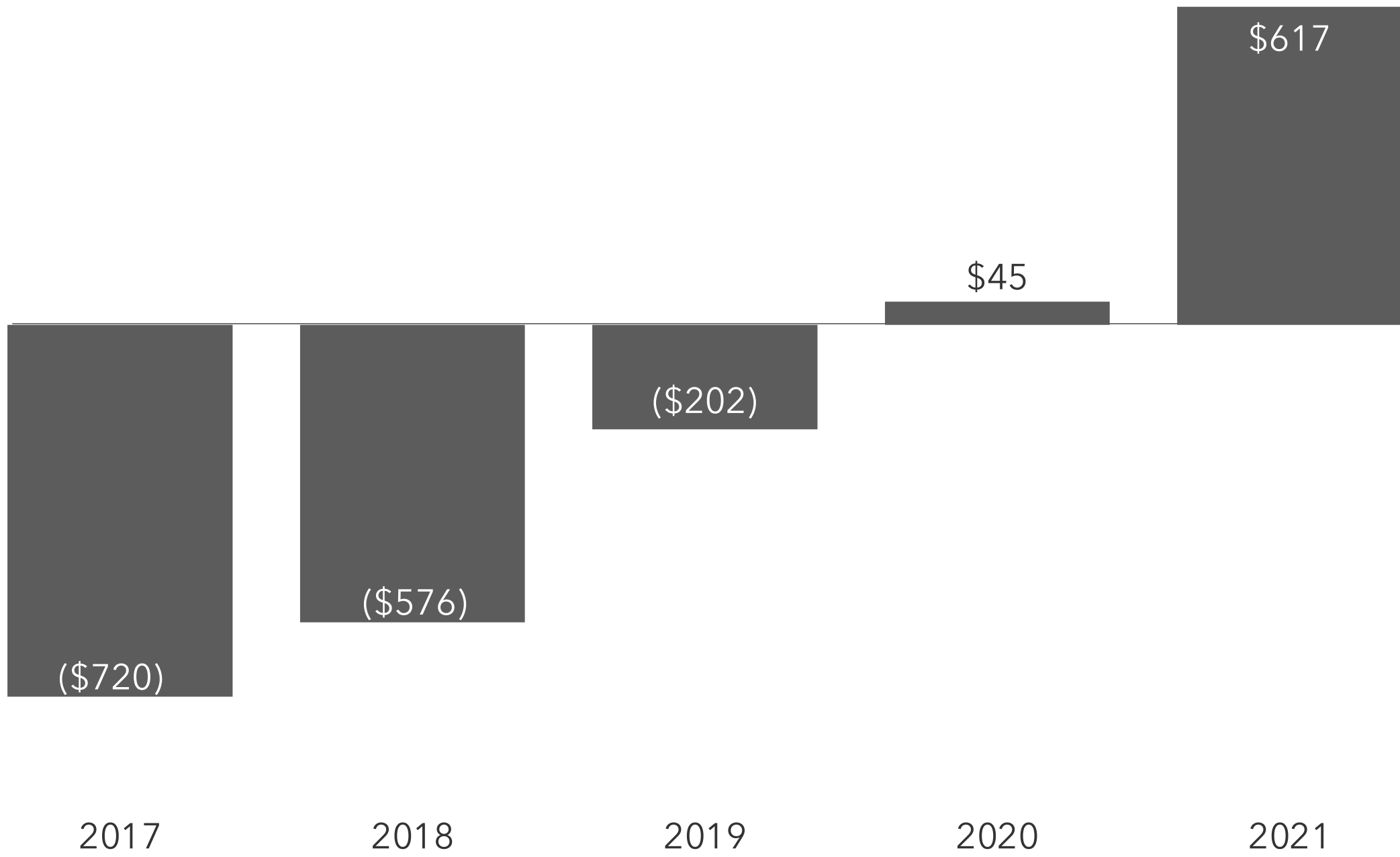
Net Loss & Adjusted EBITDA¹

(in millions)

NET LOSS



ADJUSTED EBITDA (UNAUDITED)



¹We define Adjusted EBITDA as net income (loss), excluding interest income; interest expense; other income (expense), net; income tax benefit (expense); depreciation and amortization; stock-based compensation expense and other payroll related tax expense; and certain other non-cash or non-recurring items impacting net income (loss) from time to time. See Appendix for annual reconciliation of net loss to Adjusted EBITDA.

²We define Net Income (Loss) leverage as the year-over-year change in Net Income (Loss) divided by the year-over-year change in GAAP revenue.

³We define Adjusted EBITDA leverage as the year-over-year change in Adjusted EBITDA divided by the year-over-year change in GAAP revenue.

Numbers throughout presentation may not foot due to rounding.

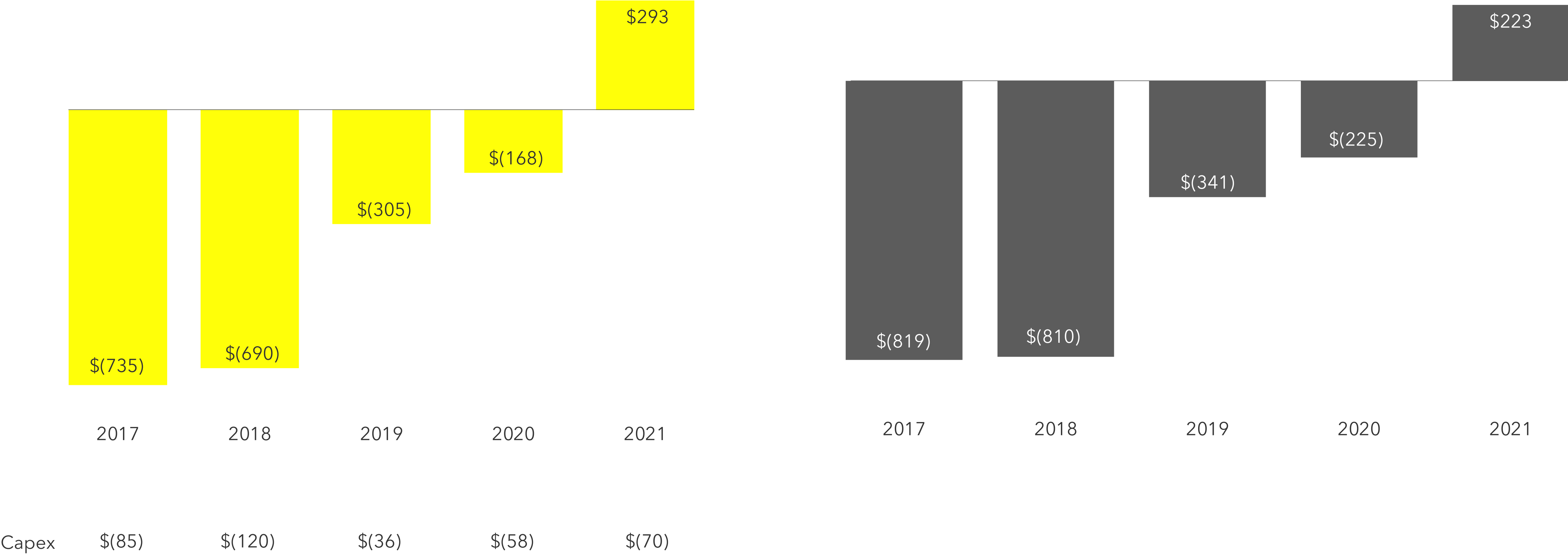
**NET LOSS LEVERAGE OF 28% AND ADJUSTED EBITDA LEVERAGE OF 35% IN 2021
SECOND CONSECUTIVE FULL YEAR OF ADJUSTED EBITDA PROFITABILITY**

Operating Cash Flow and Free Cash Flow¹

(in millions)

OPERATING CASH FLOW

FREE CASH FLOW (UNAUDITED)



¹We define Free Cash Flow as net cash provided by (used in) operating activities, reduced by purchases of property and equipment. See Appendix for annual reconciliation of net cash provided by (used in) operating activities to Free Cash Flow.
Operating cash flow and free cash flow in Q4'20 includes a \$98 million payment for a non-recurring legal settlement related to a securities class action, accrued in 2019.
Numbers throughout presentation may not foot due to rounding.

FIRST FULL YEAR OF POSITIVE FREE CASH FLOW OF \$223 MILLION
FREE CASH FLOW IMPROVED \$448 MILLION YoY

Financial Guidance

The following forward-looking statements reflect our expectations for the first quarter of 2022 as of February 3, 2022, and are subject to substantial uncertainty. This guidance assumes constant foreign currency rates and, among other things, that no business acquisitions, divestitures, investments, exits, restructurings, or legal settlements are concluded in the quarter. Our results are based on assumptions that we believe to be reasonable as of this date, but may be materially affected by many factors, as discussed in “Forward-Looking Statements & Non-GAAP Financial Measures.”

Q1 2022 Outlook

- Revenue is estimated to be between \$1,030 million and \$1,080 million.
- Adjusted EBITDA is estimated to be approximately breakeven.

Appendix

Non-GAAP Financial Measures Reconciliation – Quarterly

(in thousands, unaudited)

	Three Months Ended					
	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021
Free Cash Flow Reconciliation						
Net cash used in operating activities	\$ (54,828)	\$ (52,545)	\$ 136,886	\$ (101,086)	\$ 71,552	\$ 185,528
Less:						
Purchases of property and equipment	(14,727)	(16,447)	(10,851)	(14,623)	(19,836)	(24,565)
Free Cash Flow¹	\$ (69,555)	\$ (68,992)	\$ 126,035	\$ (115,709)	\$ 51,716	\$ 160,963

	Three Months Ended					
	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021
Adjusted EBITDA Reconciliation						
Net income (loss)	\$ (199,853)	\$ (113,099)	\$ (286,882)	\$ (151,664)	\$ (71,959)	\$ 22,550
Add (deduct):						
Interest income	(2,801)	(1,969)	(1,137)	(1,251)	(1,257)	(1,554)
Interest expense	28,212	29,176	5,031	4,564	4,031	4,050
Other (income) expense, net	5,669	(29,471)	(22,058)	(42,282)	(112,631)	(63,204)
Income tax (benefit) expense	909	18,127	1,440	(1,879)	992	13,031
Depreciation and amortization	21,804	22,811	23,498	28,270	32,510	34,863
Stock-based compensation expense	192,080	219,882	237,073	256,600	300,898	297,564
Payroll tax expense related to stock-based compensation	10,341	20,152	41,326	25,045	21,615	19,493
Adjusted EBITDA²	\$ 56,361	\$ 165,609	\$ (1,709)	\$ 117,403	\$ 174,199	\$ 326,793

¹ We define Free Cash Flow as net cash provided by (used in) operating activities, reduced by purchases of property and equipment.

²We define Adjusted EBITDA as net income (loss), excluding interest income; interest expense; other income (expense), net; income tax benefit (expense); depreciation and amortization; stock-based compensation expense and other payroll related tax expense; and certain other non-cash or non-recurring items impacting net income (loss) from time to time.
Numbers throughout presentation may not foot due to rounding.

Non-GAAP Financial Measures Reconciliation - Quarterly (Continued)

(in thousands, except per share amounts, unaudited)

Three Months Ended												
	September 30, 2020		December 31, 2020		March 31, 2021		June 30, 2021		September 30, 2021		December 31, 2021	
Non-GAAP net income (loss) reconciliation												
Net income (loss)	\$	(199,853)	\$	(113,099)	\$	(286,882)	\$	(151,664)	\$	(71,959)	\$	22,550
Amortization of intangible assets		8,422		9,727		10,445		14,363		18,148		20,228
Stock-based compensation expense		192,080		219,882		237,073		256,600		300,898		297,564
Payroll tax expense related to stock-based compensation		10,341		20,152		41,326		25,045		21,615		19,493
Income tax adjustments		388		(511)		589		(199)		(208)		(374)
Non-GAAP net income (loss) ¹	\$	11,378	\$	136,151	\$	2,551	\$	144,145	\$	268,494	\$	359,461
Weighted-average common shares - Diluted ²		1,466,420		1,484,277		1,501,636		1,547,234		1,580,966		1,668,879
Three Months Ended												
	September 30, 2020		December 31, 2020		March 31, 2021		June 30, 2021		September 30, 2021		December 31, 2021	
Non-GAAP diluted net income (loss) per share reconciliation												
GAAP diluted net income (loss) per share	\$	(0.14)	\$	(0.08)	\$	(0.19)	\$	(0.10)	\$	(0.05)	\$	0.01
Non-GAAP adjustment to net income (loss)		0.15		0.17		0.19		0.20		0.22		0.21
Non-GAAP diluted net income (loss) per share ¹	\$	0.01	\$	0.09	\$	0.00	\$	0.10	\$	0.17	\$	0.22

¹ We define Non-GAAP Net income (loss) as net income (loss); excluding amortization of intangible assets; stock-based compensation expense and other payroll related tax expense; certain other non-cash or non-recurring items impacting net income (loss) from time to time; and related income tax adjustments. Non-GAAP Net Loss and weighted average diluted shares are then used to calculate Non-GAAP diluted net Income (loss) per share.

²Q4 2021 weighted average common shares used in computation of diluted EPS excludes Convertible Notes and Capped Call shares as they are anti-dilutive. Prior to Q4 2021, weighted average shares used in computation of diluted EPS primarily excluded unvested or unexercised stock-based awards, Convertible Notes, and Capped Call shares as they were anti-dilutive.
Numbers throughout presentation may not foot due to rounding.

Non-GAAP Financial Measures Reconciliation - Annual

(in thousands, unaudited)

	Year Ended				
	2017	2018	2019	2020	2021
Adjusted EBITDA Reconciliation					
Net income (loss)	\$ (3,445,066)	\$ (1,255,911)	\$ (1,033,660)	\$ (944,839)	\$ (487,955)
Add (deduct):					
Interest income	(21,096)	(27,228)	(36,042)	(18,127)	(5,199)
Interest expense	3,456	3,894	24,994	97,228	17,676
Other (income) expense, net	(4,528)	8,248	(59,013)	(14,988)	(240,175)
Income tax (benefit) expense	(18,342)	2,547	393	18,654	13,584
Depreciation and amortization	61,288	91,648	87,245	86,744	119,141
Stock-based compensation expense	2,639,895	538,211	686,013	770,182	1,092,135
Payroll tax expense related to stock-based compensation	24,470	21,927	27,840	50,309	107,479
Securities class actions legal charges	-	-	100,000	-	-
Spectacles inventory-related charges	39,867	-	-	-	-
Reduction in force	-	9,884	-	-	-
Lease exit charges	-	31,143	-	-	-
Adjusted EBITDA²	\$ (720,056)	\$ (575,637)	\$ (202,230)	\$ 45,163	\$ 616,686
	Year Ended				
	2017	2018	2019	2020	2021
Free Cash Flow Reconciliation					
Net cash provided by (used) in operating activities	\$ (734,667)	\$ (689,924)	\$ (304,958)	\$ (167,644)	\$ 292,880
Less:					
Purchases of property and equipment	(84,518)	(120,242)	(36,478)	(57,832)	(69,875)
Free Cash Flow¹	\$ (819,185)	\$ (810,166)	\$ (341,436)	\$ (225,476)	\$ 223,005

¹ We define Free Cash Flow as net cash provided by (used in) operating activities, reduced by purchases of property and equipment.

²We define Adjusted EBITDA as net income (loss), excluding interest income; interest expense; other income (expense), net; income tax benefit (expense); depreciation and amortization; stock-based compensation expense and other payroll related tax expense; and certain other non-cash or non-recurring items impacting net income (loss) from time to time. Securities class actions legal charges related to a preliminary agreement to settle the securities class actions that arose following our IPO. Charges recorded are net of amounts directly covered by insurance. These charges are non-recurring and not reflective of underlying trends in our business.

Numbers throughout presentation may not foot due to rounding.

Note Regarding User Metrics and Other Data

We define a Daily Active User, or DAU, as a registered Snapchat user who opens the Snapchat application at least once during a defined 24-hour period. We calculate average DAUs for a particular quarter by adding the number of DAUs on each day of that quarter and dividing that sum by the number of days in that quarter. DAUs are broken out by geography because markets have different characteristics. We define average revenue per user, or ARPU, as quarterly revenue divided by the average DAUs. For purposes of calculating ARPU, revenue by user geography is apportioned to each region based on our determination of the geographic location in which advertising impressions are delivered, as this approximates revenue based on user activity. This allocation differs from our components of revenue disclosure in the notes to our consolidated financial statements, where revenue is based on the billing address of the advertising customer.

Unless otherwise stated, statistical information regarding our users and their activities is determined by calculating the daily average of the selected activity for the most recently completed quarter.

While these metrics are determined based on what we believe to be reasonable estimates of our user base for the applicable period of measurement, there are inherent challenges in measuring how our products are used across large populations globally. For example, there may be individuals who have unauthorized or multiple Snapchat accounts, even though we forbid that in our Terms of Service and implement measures to detect and suppress that behavior. We have not determined the number of such multiple accounts. Changes in our products, infrastructure, mobile operating systems, or metric tracking system, or the introduction of new products, may impact our ability to accurately determine active users or other metrics and we may not determine such inaccuracies promptly. We also believe that we don't capture all data regarding each of our active users. Technical issues may result in data not being recorded from every user's application. For example, because some Snapchat features can be used without internet connectivity, we may not count a DAU because we don't receive timely notice that a user has opened the Snapchat application. This undercounting may increase as we grow in Rest of World markets where users may have poor connectivity. We do not adjust our reported metrics to reflect this underreporting. We believe that we have adequate controls to collect user metrics, however, there is no uniform industry standard. We continually seek to identify these technical issues and improve both our accuracy and precision, including ensuring that our investors and others can understand the factors impacting our business, but these and new issues may continue in the future, including if there continues to be no uniform industry standard.

Some of our demographic data may be incomplete or inaccurate. For example, because users self-report their dates of birth, our age-demographic data may differ from our users' actual ages. And because users who signed up for Snapchat before June 2013 were not asked to supply their date of birth, we may exclude those users from our age demographics or estimate their ages based on a sample of the self-reported ages that we do have. If our active users provide us with incorrect or incomplete information regarding their age or other attributes, then our estimates may prove inaccurate and fail to meet investor expectations.

Note Regarding User Metrics and Other Data (Continued)

In the past we have relied on third-party analytics providers to calculate our metrics, but today we rely primarily on our analytics platform that we developed and operate. We count a DAU only when a user opens the application and only once per user per day. We believe this methodology more accurately measures our user engagement. We have multiple pipelines of user data that we use to determine whether a user has opened the application during a particular day, and becoming a DAU. This provides redundancy in the event one pipeline of data were to become unavailable for technical reasons, and also gives us redundant data to help measure how users interact with our application.

If we fail to maintain an effective analytics platform, our metrics calculations may be inaccurate. We regularly review, have adjusted in the past, and are likely in the future to adjust our processes for calculating our internal metrics to improve their accuracy. As a result of such adjustments, our DAUs or other metrics may not be comparable to those in prior periods. Our measures of DAUs may differ from estimates published by third parties or from similarly titled metrics of our competitors due to differences in methodology or data used.