

# Company Analysis

## Summer 2022

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### **SNAP INC. (SNAP)**

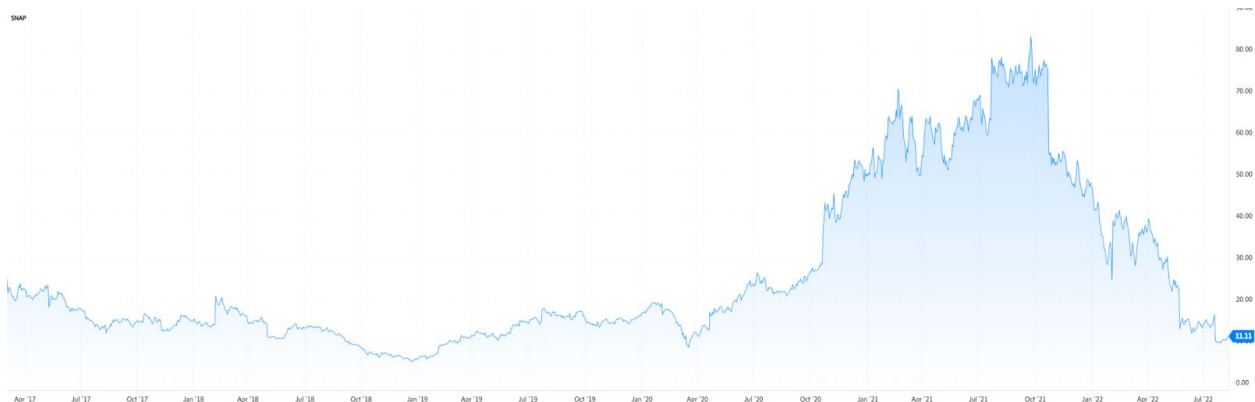


## Stock Overview

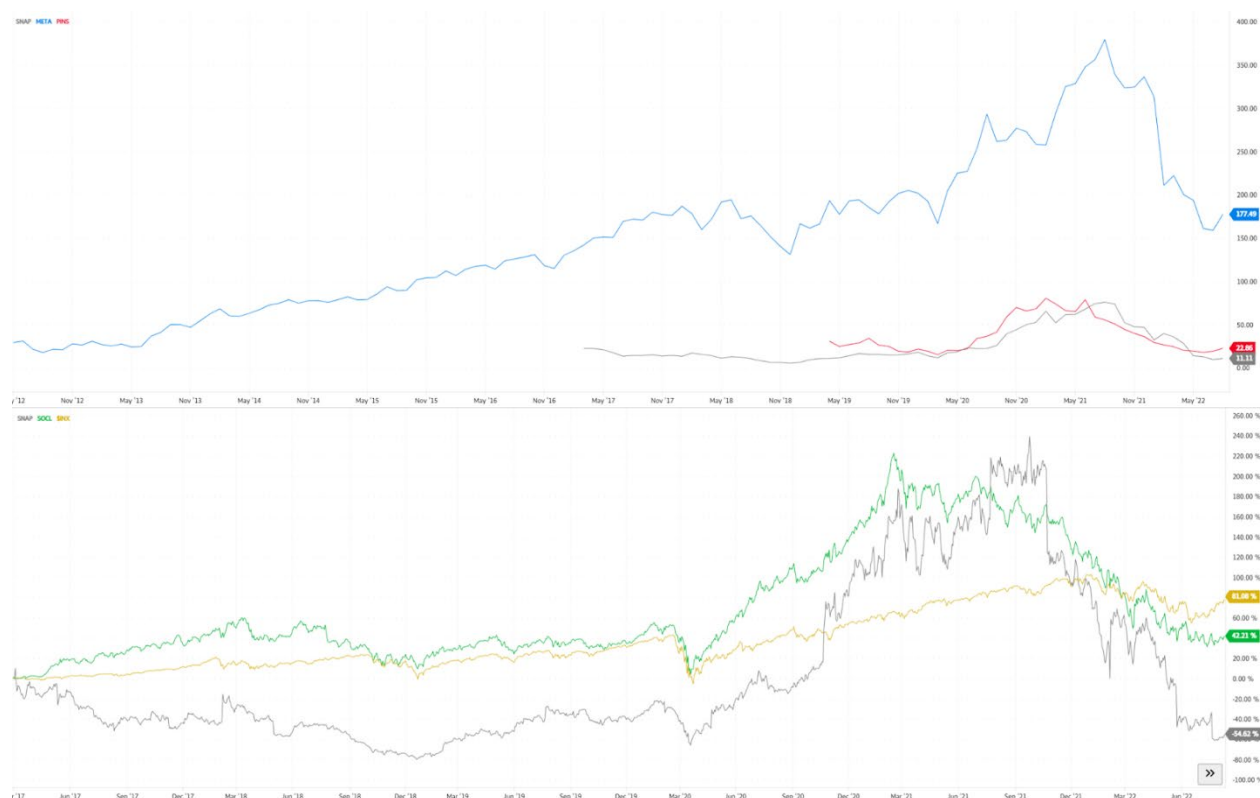
Snap Inc. is traded on the New York Stock Exchange with the ticker symbol, SNAP. As of August 12th, 2022, the closing price was \$11.62 USD. The company has a P/E ratio of 0 due to their negative net income annually since their IPO.



Their stock price represents an 84.4% drop since their closing price of \$74.62 one year ago and a 52.5% drop since their IPO closing price of \$24.48 in 2017. The stock price saw a tremendous rise from 2020 through 2021 due to revenue growth attributed to user growth amid the coronavirus pandemic, with an all-time high of \$83.34 in September 2021. However, Snap Inc.'s stock price significantly dropped off in Q4 2021 and subsequent quarters due to missing revenue and earnings estimates as well as Apple's implementation of their ATT policy on their iOS platform that limits the collection of user data, affecting Snap Inc.'s advertising revenue model.



Compared to its competitors in the social media space, Snap Inc.'s stock performance has been similar to that of the more recent Pinterest Inc. which went public in April 2019, however both are overshadowed in price and stock performance by industry incumbent Meta Platforms Inc. (formerly Facebook Inc.). When comparing Snap Inc. to the social media index and the S&P 500, their stock performance has been lackluster with the exception of a brief period in Q3 2021 into the beginning of Q4 2021 where it saw stock gains higher than both these benchmarks.



Snap Inc. has multiple classes of common stock. Only their Class A common stock is publicly traded and has no voting rights. Class B and Class C common stock are not traded in the public and are entitled to 1 vote and 10 votes per share respectively. The higher voting power Class C shares are held by the original co-founders and now Chief Executive Officer, Evan Spiegel and Chief Technology Officer, Bobby Murphy where Mr. Spiegel alone has voting control with 53.1% of the voting power.

Name of Beneficial Owner	Class A Common Stock		Class B Common Stock		Class C Common Stock		% of Total Voting Power
	Shares	%	Shares	%	Shares	%	
<b>Directors and Named Executive Officers:</b>							
Evan Spiegel(1)	40,463,540	3.0%	5,862,410	25.7%	123,683,019	53.4%	53.1%
Robert Murphy(2)	82,267,528	6.0	5,862,410	25.7	107,943,924	46.6	46.4
Derek Anderson(3)	951,605	*	—	*	—	*	*
Jeremi Gorman(4)	1,542,062	*	—	*	—	*	*
Jerry Hunter(5)	2,659,206	*	—	*	—	*	*
Michael O'Sullivan(6)	1,103,072	*	—	*	—	*	*
Jared Gruski(7)	201,815	*	—	*	—	*	*
Michael Lynton(8)	1,075,407	*	—	*	—	*	*
Kelly Coffey(9)	20,273	*	—	*	—	*	*
Joanna Coles(10)	82,607	*	—	*	—	*	*
Liz Jenkins(11)	4,723	*	—	*	—	*	*
A.G. LaFley(12)	236,128	*	—	*	—	*	*
Stanley Meresman(13)	71,625	*	—	*	—	*	*
Scott D. Miller(14)	135,969	*	—	*	—	*	*
Poppy Thorpe(15)	62,333	*	—	*	—	*	*
Fidel Vargas	180	*	—	*	—	*	*
All directors and executive officers as a group (15 persons)(16)	130,684,135	9.6	11,724,820	51.5	231,626,943	100.0	99.5
<b>5% Stockholders:</b>							
T. Rowe Price Associates, Inc.(17)	126,220,479	9.2	—	*	—	*	*
Vanguard Group Inc.(18)	73,910,018	5.4	—	*	—	*	*
Entities affiliated with Tencent Holdings Limited(19)	232,655,030	17.0	10,344,970	45.4	—	—	*

## **Company Profile**

Snap Inc. is a camera and social media company founded on September 16, 2011 by Stanford University students Evan Spiegel, Bobby Murphy, and Reggie Brown. They are headquartered in Santa Monica, California and currently have daily active users of over 300 million. Their motto is “the fastest way to share a moment”.

Snap Inc.’s main product, Snapchat, started out as Picaboo, a picture message app found only on iOS, in 2011. With little attention received in the first few months of its release, the app was rebranded as Snapchat as in “snapping a photo” and “chatting with friends” after a cease-and-desist letter was sent by a photo-book company with the same name. By the spring of 2012, Snapchat went from having 1,000 daily active users to 100,000; that metric would increase to 1,000,000 later that year after releasing the app on the Android platform in October 2012.

New functionality was being added to Snapchat each year. In addition to disappearing pics, the ability to send disappearing videos was added in 2012. By the end of 2013, users were able to broadcast their short videos and images (Snaps) to all their friends via Stories and the company introduced the ability to replay Snaps as well as the use of Smart Filters, basic overlays to shared media that displayed the time, temperature, or speed. Further features such as the ability to send texts to friends, watch and/or contribute to a curated user-generated stream of Snaps of a public event known as Live Stories, and geofilters with new location-specific overlays were implemented in 2014 to a community of 50,000,000 daily active users. Later functionality introduced included the more advanced augmented reality filters known as Lenses, on-demand geofilters that let users create their own event specific filters, letting users save their personal favorite Snaps and Stories known as Memories, use of personalized cartoon avatars (Bitmojis), and a redesigned and upgraded chat interface. Snapchat saw another large jump in users from 100,000,000 daily active users in 2015 to 150,000,000 in 2016. Around this time, Snapchat’s user base growth slowed down with the introduction of Stories on their competitor’s platform, Instagram. It wouldn’t be until Q2 2019 that Snapchat surpasses 200,000,000 daily active users and shatters 300,000,000 by Q3 2021. Along with the popular Snapchat app, Snap Inc. also has hardware offerings: Spectacles, a pair of sunglasses with integrated cameras to take and upload Snaps to the users’ smartphone and Pixy, a Snap taking selfie drone.

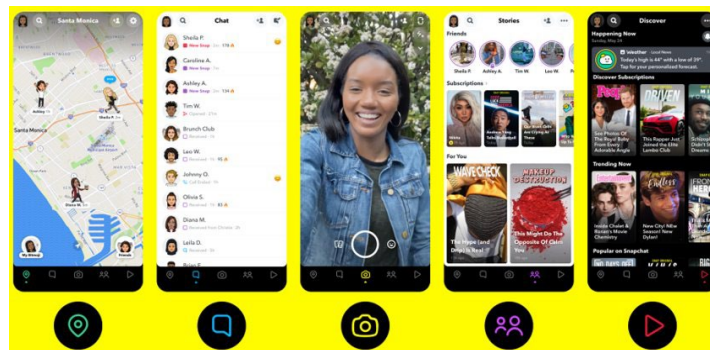
One of Snapchat’s challenges is the ongoing changes to privacy laws and mobile operating systems. As seen with the ATT policy from Apple, Snap Inc.’s ability to attract and retain advertisers can be significantly reduced if mobile OSs can cut their pipeline of user data to apps, leading to the inability to serve effective targeted ads. Another challenge lies in their competition. Their main competitor, Instagram, incorporates many of Snap’s unique features, including a “Stories” feature that largely mimics Snap’s Stories feature and has a higher user retention time of 11.2 hours/month compared to Snapchat’s 3 hours/month.

## Products

### Snapchat

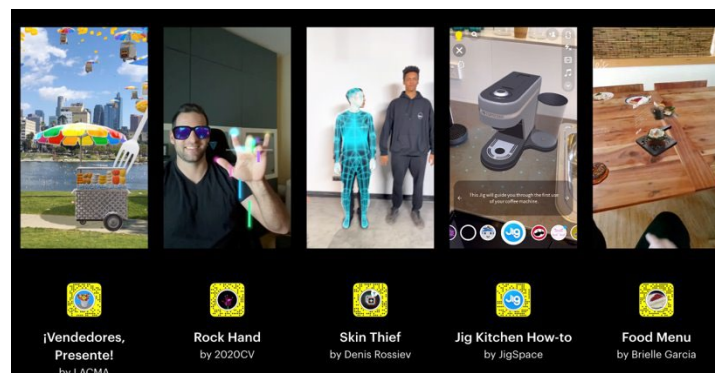
Snap Inc.'s flagship product is Snapchat, a camera app to take and share Snaps as well as interact with users. The app was overhauled in 2020 and contains 5 distinct tabs:

- **Snap Map:** live and highly personalized map to locate friends, local businesses, and Snaps of others
- **Communication:** users communicate with friends via messages (Snaps or text), voice or video calling, and games
- **Camera:** users create Snaps; it includes enhanced features such as AR capabilities, millions of filters (Lenses), music integration, and voice and scanning technology
- **Stories:** features content from friends, community, and content partners; it offers Brand Profiles (landing page for businesses to connect with users)
- **Spotlight:** users share content to the entire Snapchat community; most entertaining Snaps are featured and becomes personalized to the user



A key aspect of the Snapchat experience compared to other platforms is the extensive use of Lenses. With 2,500,000 Lenses and 250,000 Lens creators, Snap Inc. has built an environment to support new development of Lenses which is made up of:

- **Lens Studio:** application used by Lens creators to build the Lenses' augmented reality experience
- **Camera Kit:** software development kit that enables developers to leverage Snap's AR platform and technology in their mobile applications
- **Creator Marketplace:** set of features that connect both AR and Spotlight creators with advertisers



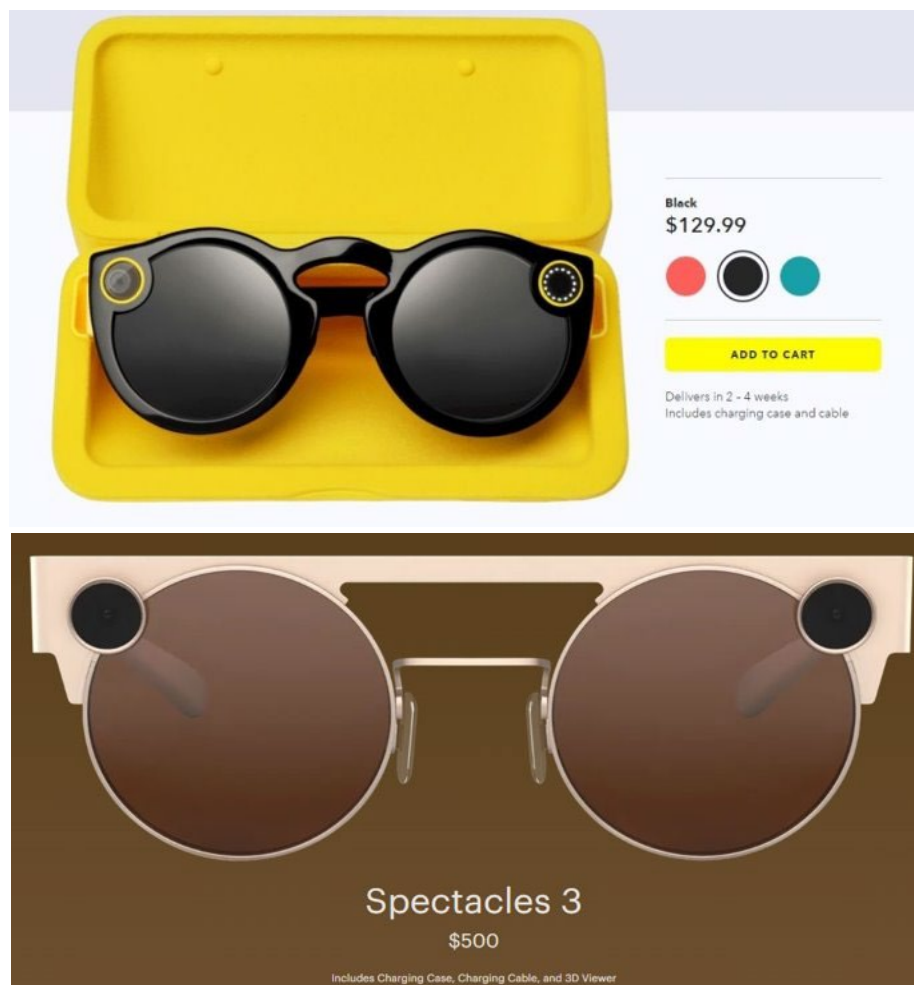
Not only does Snapchat create an experience for its users, it also adds value to its partners consisting of:

- **Creators:** designers, artists and storytellers who build Lenses that go viral can be more sought out by advertisers in the creator marketplace
- **Publishers:** the Discover page allows for brand exposure to a new, young audience base
- **Developers:** there are many ways to integrate with Snapchat, such as through the powerful Snap Kit

## Spectacles

Snap Inc.'s first hardware product was the Spectacles, a pair of smart glasses with built in cameras to create and share Snaps. The first generation was launched in 2016 and came as a result of Snap Inc.'s \$15 million acquisition of Vergence Labs, a small Los Angeles startup that developed smart glasses with video recording capabilities.

The first generation houses a single HD camera on the frame and a dual microphone array with a cost \$129.99 USD. The current third generation houses dual HD cameras with the ability to capture 3D Snaps and a four-microphone array; its starting cost is \$380 USD.





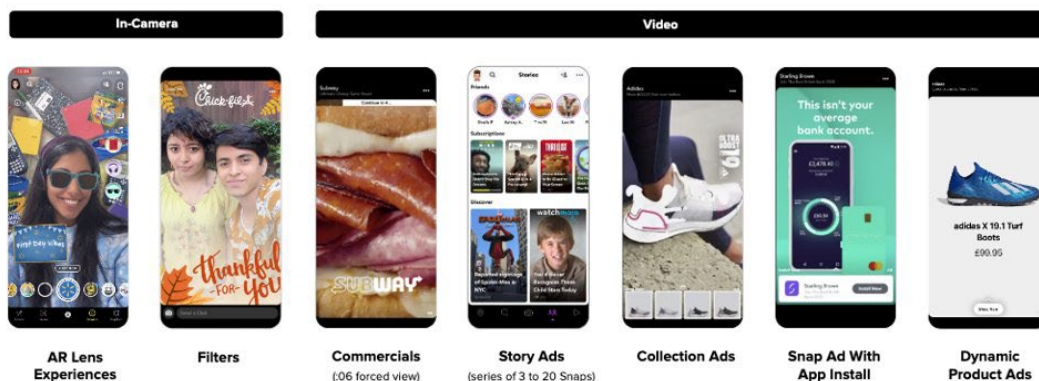
## Pixy

Snap Inc.'s second hardware product was the Pixy, a pocketable selfie drone with built in cameras to create and share Snaps. Released in April 2022 at a base cost of \$230 USD, the Pixy has a front camera for capturing photos and videos and a bottom camera for stabilization and navigation. The user controls the drone via a dial on its topside that has one of four pre-set flight paths (hover, orbit, reveal, and follow) and tracks the user's head and body while in flight. Pixy can record 2.7k video up to 60 seconds long and sends to a smartphone via Bluetooth.



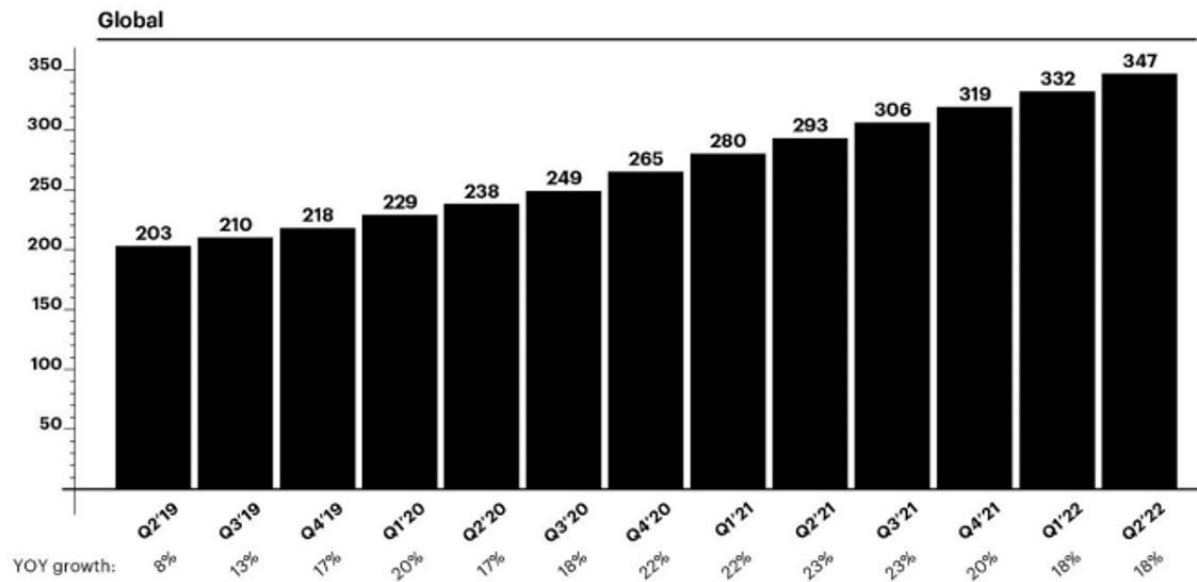
## Monetization

Snap Inc.'s revenues predominantly come from advertising on Snapchat. Advertisers can choose between two types of advertisements: AR ads and Snap ads. AR ads integrate brand and product awareness into customized Lenses that users can interact with and share with others, creating high user engagement. Snap ads are more traditional forms of advertising and include commercials on the app, ads on Stories, and Collection or Dynamic product ads.

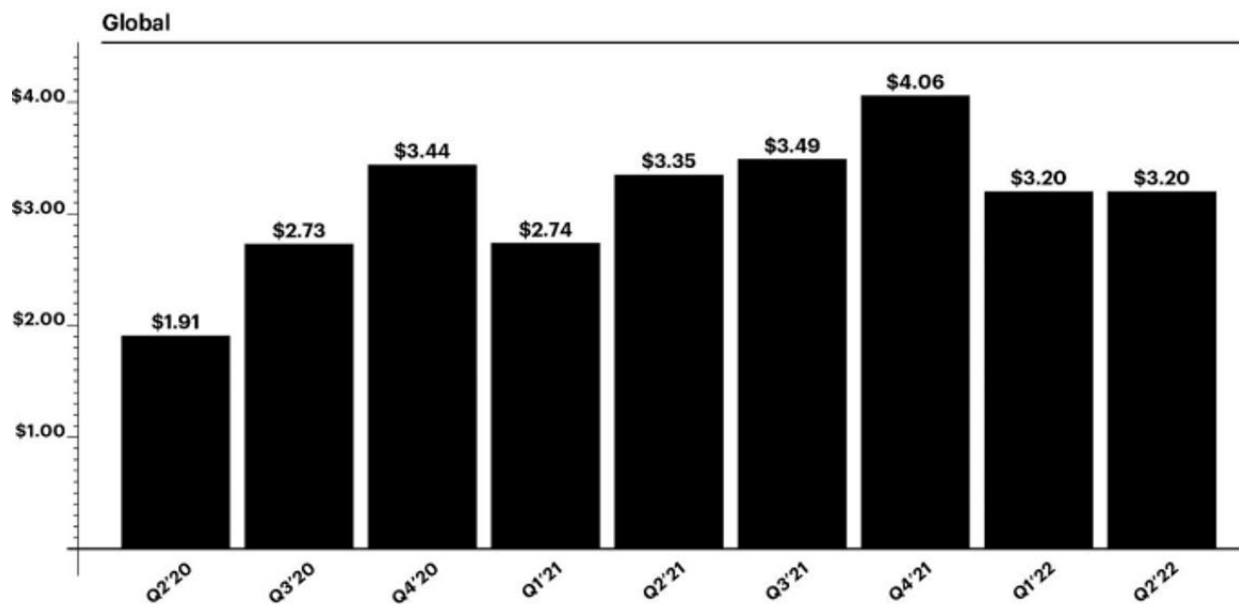


As of the company's 2021-year end, advertising accounts for 99% of Snap Inc.'s revenues. With 319 million daily active users in Q4 2021, Snapchat was generating a global average of \$4.06/user, with North America being the highest earning region per user at \$9.58/user.

**Quarterly Average Daily Active Users**  
(in millions)



**Quarterly Average Revenue per User**





## **Management Overview**

Evan Spiegel - Chief Executive Officer (2011 - present)

- He co-founded Snap Inc. with Bobby Murphy and Reggie Brown while they were students at Stanford University and left in 2012 to focus on building Snapchat; he went back in 2018 to complete his degree.
- Education: Bachelor of Science, Product Design from Stanford University

Bobby Murphy - Chief Technology Officer (2011 - present)

- As one of the original co-founders, he has led the engineering and research teams at Snapchat and worked on the production of Spectacles in 2018.
- Education: Bachelor of Science, Mathematical and Computational Science from Stanford University

Derek Andersen - Chief Financial Officer (2019 - present)

- Before becoming the CFO, he served as VP of Finance since July 2018. Prior to Snap Inc., he was the VP of Finance in Amazon, supporting Amazon's digital video business from 2015 to 2018. Other previous experiences include roles at Fox Interactive Media as Senior Vice President of Finance and Business Operations for IGN, and as Vice President of Finance.
- Education:
  - BBA from Acadia University
  - MBA from the Haas School of Business at the University of California, Berkeley

Kenny Mitchell - Chief Marketing Officer (2019 - present)

- Prior to Snap Inc., he served as Vice President of Marketing at McDonald's Corporation from February 2018 to June 2019. Other previous experiences include Head of Consumer Engagement at Gatorade from March 2015 to February 2018 and as Managing Director, Brand and Consumer Marketing at NASCAR from December 2013 to April 2015.
- Education:
  - BA in Sociology and Economics from Dartmouth College
  - MBA from the Tuck School of Business at Dartmouth College

Jeremi Gorman - Chief Business Officer (2018 - present)

- Prior to Snap Inc., she was employed at Amazon.com, Inc., serving as Head of Global Field Advertising Sales from June 2018 to November 2018, as Head of Field Advertising Sales, U.S. from April 2015 to June 2018, and as Head of Entertainment Advertising Sales from 2012 to April 2015. Other previous experiences include Director of Sales at Yahoo and Variety Magazine.
- Education: BA from the University of California, Los Angeles.

## Financial Analysis

Snap Inc.'s Q2 2022 saw a large increase in convertible senior notes (an increase of 65.95% from Q4 2021) as the firm took on new long-term debt due in 2028. This new debt has a total principal amount of \$1.50 billion with semi-annual interest beginning on September 1, 2022 at a rate of 0.125% per year. Their choice to leverage up in the face of negative net income is a cause for concern.

	June 30, 2022 (unaudited)	December 31, 2021
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 2,298,122	\$ 1,993,809
Marketable securities	2,574,354	1,699,076
Accounts receivable, net of allowance	1,015,607	1,068,873
Prepaid expenses and other current assets	127,151	92,244
Total current assets	6,015,234	4,854,002
Property and equipment, net	232,476	202,644
Operating lease right-of-use assets	416,169	322,252
Intangible assets, net	234,261	277,654
Goodwill	1,634,085	1,588,452
Other assets	258,566	291,302
Total assets	<u>\$ 8,790,791</u>	<u>\$ 7,536,306</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Accounts payable	\$ 184,146	\$ 125,282
Operating lease liabilities	48,978	52,396
Accrued expenses and other current liabilities	830,843	674,108
Total current liabilities	1,063,967	851,786
Convertible senior notes, net	3,739,092	2,253,087
Operating lease liabilities, noncurrent	416,501	325,509
Other liabilities	127,472	315,756
Total liabilities	<u>5,347,032</u>	<u>3,746,138</u>
Commitments and contingencies (Note 8)		
Stockholders' equity		
Class A non-voting common stock, \$0.00001 par value. 3,000,000 shares authorized, 1,390,709 shares issued and outstanding at June 30, 2022, and 3,000,000 shares authorized, 1,364,887 shares issued and outstanding at December 31, 2021.	14	14
Class B voting common stock, \$0.00001 par value. 700,000 shares authorized, 22,638 shares issued and outstanding at June 30, 2022, and 700,000 shares authorized, 22,769 shares issued and outstanding at December 31, 2021.	—	—
Class C voting common stock, \$0.00001 par value. 260,888 shares authorized, 231,627 shares issued and outstanding at June 30, 2022, and 260,888 shares authorized, 231,627 shares issued and outstanding at December 31, 2021.	2	2
Additional paid-in capital	12,529,743	12,069,097
Accumulated other comprehensive income (loss)	(19,843)	5,521
Accumulated deficit	(9,066,157)	(8,284,466)
Total stockholders' equity	3,443,759	3,790,168
Total liabilities and stockholders' equity	<u>\$ 8,790,791</u>	<u>\$ 7,536,306</u>

Snap Inc.'s 2021 YE saw a substantial 69.12% increase in Goodwill due to two major acquisitions: Wave Optics, a supplier of AR displays for its upcoming Spectacles refresh, and Fit Analytics, a fitting tech start-up for apparel and footwear. In both acquisitions, Goodwill accounted for the majority of the cost (\$370 million out of \$510 million to acquire Wave Optics and \$88 million out of \$124 million to acquire Fit Analytics). Snap Inc.'s overspending on these two firms when considering their negative operating cash flows is a cause for concern.

	December 31,	
	2021	2020
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,993,809	\$ 545,618
Marketable securities	1,699,076	1,991,922
Accounts receivable, net of allowance	1,068,873	744,288
Prepaid expenses and other current assets	92,244	56,147
Total current assets	4,854,002	3,337,975
Property and equipment, net	202,644	178,709
Operating lease right-of-use assets	322,252	269,728
Intangible assets, net	277,654	105,929
Goodwill	1,588,452	939,259
Other assets	291,302	192,638
Total assets	\$ 7,536,306	\$ 5,024,238
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Accounts payable	\$ 125,282	\$ 71,908
Operating lease liabilities	52,396	41,077
Accrued expenses and other current liabilities	674,108	554,342
Total current liabilities	851,786	667,327
Convertible senior notes, net	2,253,087	1,675,169
Operating lease liabilities, noncurrent	325,509	287,292
Other liabilities	315,756	64,474
Total liabilities	3,746,138	2,694,262
Commitments and contingencies (Note 8)		
Stockholders' equity		
Class A non-voting common stock, \$0.00001 par value. 3,000,000 shares authorized, 1,364,887 shares issued and outstanding at December 31, 2021 and 3,000,000 shares authorized, 1,248,010 shares issued and outstanding at December 31, 2020.	14	12
Class B voting common stock, \$0.00001 par value. 700,000 shares authorized, 22,769 shares issued and outstanding at December 31, 2021 and 700,000 shares authorized, 23,696 shares issued and outstanding at December 31, 2020.	—	—
Class C voting common stock, \$0.00001 par value. 260,888 shares authorized, 231,627 shares issued and outstanding at December 31, 2021 and 260,888 shares authorized, 231,627 shares issued and outstanding at December 31, 2020.	2	2
Additional paid-in capital	12,069,097	10,200,141
Accumulated other comprehensive income (loss)	5,521	21,363
Accumulated deficit	(8,284,466)	(7,891,542)
Total stockholders' equity	3,790,168	2,329,976
Total liabilities and stockholders' equity	\$ 7,536,306	\$ 5,024,238

While Snap Inc.'s revenue line has seen outstanding growth at an average rate of 54.91% year to year since 2019, it continues to generate a net loss with its significant operating costs growing at an average rate of 30.75%. These higher operating costs can be attributed to Snap Inc.'s growing stock-based compensation expense that is factored into each operating expense line item. The same general conclusion can be drawn about their Q2 2022 performance as well.

	Year Ended December 31,		
	2021	2020	2019
Revenue	\$ 4,117,048	\$ 2,506,626	\$ 1,715,534
Costs and expenses:			
Cost of revenue	1,750,246	1,182,505	895,838
Research and development	1,565,467	1,101,561	883,509
Sales and marketing	792,764	555,468	458,598
General and administrative	710,640	529,164	580,917
Total costs and expenses	4,819,117	3,368,698	2,818,862
Operating loss	(702,069)	(862,072)	(1,103,328)
Interest income	5,199	18,127	36,042
Interest expense	(17,676)	(97,228)	(24,994)
Other income (expense), net	240,175	14,988	59,013
Loss before income taxes	(474,371)	(926,185)	(1,033,267)
Income tax benefit (expense)	(13,584)	(18,654)	(393)
Net loss	\$ (487,955)	\$ (944,839)	\$ (1,033,660)
Net loss per share attributable to Class A, Class B, and Class C common stockholders (Note 3):			
Basic	\$ (0.31)	\$ (0.65)	\$ (0.75)
Diluted	\$ (0.31)	\$ (0.65)	\$ (0.75)
Weighted average shares used in computation of net loss per share:			
Basic	1,558,997	1,455,693	1,375,462
Diluted	1,558,997	1,455,693	1,375,462

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue	\$ 1,110,909	\$ 982,108	\$ 2,173,636	\$ 1,751,692
Costs and expenses:				
Cost of revenue	446,377	445,021	867,274	857,622
Research and development	505,037	370,671	960,600	719,251
Sales and marketing	311,374	179,724	553,260	330,010
General and administrative	249,061	179,204	464,969	340,927
Total costs and expenses	1,511,849	1,174,620	2,846,103	2,247,810
Operating loss	(400,940)	(192,512)	(672,467)	(496,118)
Interest income	8,331	1,251	11,454	2,388
Interest expense	(5,549)	(4,564)	(10,722)	(9,595)
Other income (expense), net	(16,910)	42,282	(94,447)	64,340
Loss before income taxes	(415,068)	(153,543)	(766,182)	(438,985)
Income tax benefit (expense)	(6,999)	1,879	(15,509)	439
Net loss	\$ (422,067)	\$ (151,664)	\$ (781,691)	\$ (438,546)
Net loss per share attributable to Class A, Class B, and Class C common stockholders (Note 3):				
Basic	\$ (0.26)	\$ (0.10)	\$ (0.48)	\$ (0.29)
Diluted	\$ (0.26)	\$ (0.10)	\$ (0.48)	\$ (0.29)
Weighted average shares used in computation of net loss per share:				
Basic	1,632,140	1,547,234	1,625,663	1,524,560
Diluted	1,632,140	1,547,234	1,625,663	1,524,560

Even when factoring in the large stock-based compensation line item in Snap Inc.'s operating activities on the cash flow statement, the company continues to generate negative cash flows from operations.

	Year Ended December 31,		
	2021	2020	2019
<b>Cash flows from operating activities</b>			
Net loss	\$ (487,955)	\$ (944,839)	\$ (1,033,660)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	119,141	86,744	87,245
Stock-based compensation	1,092,135	770,182	686,013
Amortization of debt discount and issuance costs	4,311	81,401	17,797
(Gains) losses on debt and equity securities, net	(289,052)	(10,250)	(18,982)
Induced conversion expense related to convertible notes	41,538	—	—
Gain on divestiture	—	—	(39,883)
Other	8,643	2,963	(10,084)
Change in operating assets and liabilities, net of effect of acquisitions:			
Accounts receivable, net of allowance	(332,967)	(255,818)	(147,862)
Prepaid expenses and other current assets	(26,607)	(14,587)	(9,849)
Operating lease right-of-use assets	47,258	38,940	58,199
Other assets	(10,916)	(11,442)	1,169
Accounts payable	53,579	20,374	20,674
Accrued expenses and other current liabilities	117,092	108,601	146,063
Operating lease liabilities	(49,294)	(49,730)	(60,844)
Other liabilities	5,974	9,817	(954)
Net cash provided by (used in) operating activities	292,880	(167,644)	(304,958)
<b>Cash flows from investing activities</b>			
Purchases of property and equipment	(69,875)	(57,832)	(36,478)
Purchases of strategic investments	(41,160)	(111,586)	(5,481)
Cash paid for acquisitions, net of cash acquired	(310,915)	(168,850)	(77,119)
Proceeds from divestiture, net	—	—	73,796
Purchases of marketable securities	(2,438,983)	(3,524,599)	(2,477,388)
Sales of marketable securities	379,555	389,974	184,179
Maturities of marketable securities	2,536,725	2,737,523	1,608,854
Other	34,880	5,506	1,029
Net cash provided by (used in) investing activities	90,227	(729,864)	(728,608)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of convertible notes, net of issuance costs	1,137,227	988,582	1,251,411
Purchase of capped calls	(86,825)	(100,000)	(102,086)
Proceeds from the exercise of stock options	14,671	34,209	16,527
Net cash provided by financing activities	1,065,073	922,791	1,165,852
Change in cash, cash equivalents, and restricted cash	1,448,180	25,283	132,286
Cash, cash equivalents, and restricted cash, beginning of period	546,543	521,260	388,974
Cash, cash equivalents, and restricted cash, end of period	\$ 1,994,723	\$ 546,543	\$ 521,260



	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<b>Cash flows from operating activities</b>				
Net loss	\$ (422,067)	\$ (151,664)	\$ (781,691)	\$ (438,546)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	79,291	28,270	117,391	51,768
Stock-based compensation	318,810	256,600	594,254	493,673
Amortization of debt issuance costs	1,780	1,148	3,193	2,192
Losses (gains) on debt and equity securities, net	12,210	(79,940)	91,337	(102,451)
Other	3,079	34,856	4,204	41,685
Change in operating assets and liabilities, net of effect of acquisitions:				
Accounts receivable, net of allowance	(81,001)	(174,452)	45,026	(45,136)
Prepaid expenses and other current assets	(11,980)	1,065	(39,158)	(11,371)
Operating lease right-of-use assets	18,299	12,549	35,283	23,747
Other assets	(7,230)	(338)	(7,538)	(1,236)
Accounts payable	(3,919)	(50,159)	51,061	6,346
Accrued expenses and other current liabilities	(14,392)	27,690	(77,220)	33,039
Operating lease liabilities	(16,499)	(8,059)	(34,315)	(21,354)
Other liabilities	(462)	1,348	1,551	3,444
Net cash provided by (used in) operating activities	(124,081)	(101,086)	3,378	35,800
<b>Cash flows from investing activities</b>				
Purchases of property and equipment	(23,370)	(14,623)	(44,545)	(25,474)
Purchases of strategic investments	(6,200)	(31,425)	(6,350)	(32,775)
Sales of strategic investments	63,276	36,250	63,276	36,435
Cash paid for acquisitions, net of cash acquired	(11,220)	(30,304)	(12,008)	(139,216)
Purchases of marketable securities	(568,055)	(764,371)	(1,910,436)	(1,287,590)
Sales of marketable securities	2,982	239,500	12,759	347,556
Maturities of marketable securities	554,026	696,892	896,571	1,513,823
Other	—	(50)	(5,493)	(335)
Net cash provided by (used in) investing activities	11,439	131,869	(1,006,226)	412,424
<b>Cash flows from financing activities</b>				
Proceeds from issuance of convertible notes, net of issuance costs	—	1,137,227	1,483,500	1,137,227
Purchase of capped calls	—	(86,825)	(177,000)	(86,825)
Proceeds from the exercise of stock options	1,388	3,257	3,654	7,710
Payments of debt issuance costs	(3,006)	—	(3,006)	—
Net cash provided by (used in) financing activities	(1,618)	1,053,659	1,307,148	1,058,112
Change in cash, cash equivalents, and restricted cash	(114,260)	1,084,442	304,300	1,506,336
Cash, cash equivalents, and restricted cash, beginning of period	2,413,283	968,437	1,994,723	546,543
Cash, cash equivalents, and restricted cash, end of period	\$ 2,299,023	\$ 2,052,879	\$ 2,299,023	\$ 2,052,879
<b>Supplemental disclosures</b>				
Cash paid for income taxes, net	\$ 4,848	\$ 3,280	\$ 7,484	\$ 14,288
Cash paid for interest	\$ 551	\$ 1,614	\$ 4,005	\$ 6,741

### **Recommendation**

SELL: Snap Inc. does not have a proven record of generating significant positive operating cash flows. Their choice to leverage up with the lack of earnings to support the debt is concerning. They are facing fierce competition from social media apps such as Instagram and TikTok that have been siphoning away their young user base that creates value to advertisers, further threatening their advertising revenue model.