

# Snapchat parent Snap slides below IPO price

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Snapchat co-founders Bobby Murphy, left, and Evan Spiegel, chief executive officer of Snap Inc., at the New York Stock Exchange on March 2. Snap shares have recently fallen below their IPO price on weak growth forecasts

Shares of Snapchat parent Snap Inc. plunged Tuesday, slipping below the price at the time of its stock offering, after a pessimistic outlook from a Wall Street analyst on the popular messaging service.

Snap closed down 8.7 percent at \$15.50, falling below its price for its initial public offering (IPO) in March of \$17.

The market action came as Morgan Stanley analyst Brian Nowak said that Snapchat's advertising products were not catching on as quickly as had been expected.

Nowak said Snapchat is also facing tougher competition from Facebook-owned Instagram, which has been offering similar services, and downgraded the company with a \$16 target price.

"We have been wrong about Snap's ability to innovate and improve its ad product this year (improving scalability, targeting, measurability, etc.) and user monetization," he said in a note to clients.

"We also believe user growth trends have also been modestly weaker than expected... On competition, we believe Instagram has become more aggressive in competing for Snap's ad dollars. As such, we see Snap ad revenue growth being materially slower than we previously expected."

Snap was the largest IPO of 2017 and rose more than 40 percent from initial trades to give it a market value of some \$34 billion, but the recent slide has cut its valuation nearly in half.

Nowak said other new tech companies have also struggled in their early days and noted that "the key now is Snap's ability to execute and improve its ad offering."

In its first quarterly earnings report, Snap said it lost some \$2.2 billion in the first three months of the year on revenues of \$149.6 million, disappointing analysts.

Snapchat, which has become popular among young smartphone users for its disappearing messages, saw the number of users of the platform increase to a weaker-than-expected 166 million at the end of March.

Although Snapchat is best known for its smartphone messaging, it has also developed partnerships with numerous media outlets eager to reach its audience with news, video and other content.

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