

Snap shares dive as loss widens

November 8 2017, by Glenn Chapman



Snapchat parent Snap took a beating after a disappointing third-quarter earnings update which showed a widening loss and slower-than-expected user growth for the social network popular with young smartphone users

Shares of Snapchat parent Snap plunged Tuesday after reporting a widening loss and user numbers that fell short of market expectations.

Revenue at the California-based company rose to \$207.9 million but its loss more than tripled to \$443 million in the quarter that ended September 30, according to an earnings release.

Snap reported a loss of \$124 million in the same quarter last year.

Snap shares were down more than 17 percent to \$12.53 in after-market trades that followed release of the earnings figures.

The number of people using Snapchat daily rose to 178 million in a 17 percent increase from the same quarter last year, according to the company.

Snapchat became popular among young smartphone users for its disappearing messages, often photos or video, but analysts say it needs to show strong growth to keep pace in the rapidly evolving social media sector dominated by Facebook.

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.

NBCUniversal and Snap Inc last month announced a joint venture to produce original scripted shows for Snapchat.

"Content is becoming an increasingly important part of our business," Snap chief executive Evan Spiegel said during an earnings call with analysts.

Ways to make simplify the process to create and find imagery will be part of a major overhaul planned for the version of the application tailored for Android-powered smartphones and tablets, according to Spiegel.

Use of Snapchat is growing faster among people using Android smartphones than among iPhone users, so the company is overhauling the Android application to be easier and faster, the company said.

Spiegel conceded that the ranks of Snapchat users grew less than he would have liked in the quarter.

Spectacles dud

Snap executives said they overestimated demand for its Spectacles sunglasses with built-in cameras, losing just shy of \$40 million that it will mark down on its books.

"We made the wrong decision based on early traction and ultimately weren't able to sell as many Spectacles as we expected," Spiegel said.

Snap executives tried to assure analysts that its recently-introduced self-serve advertising systems for business was gaining momentum even though "overall ad load remains low."

Snap priorities in the year ahead will include increasing the number of users along with the kinds of content on the platform, as well as investing in augmented reality and machine learning.

One of the ways Snapchat makes money is with "lenses" that let virtual costumes or other effects be overlaid on real-world photos taken with smartphone cameras.

"2018 promises to be a productive year for Snap, with many changes coming," Spiegel said.

"Our audience may not be the largest today, but we certainly feel it is the most strategic," Spiegel added, referring to Snapchat's popularity among people younger than 35 years old.

The "ugly" financial quarter at Snap, and the bad bet on Spectacles, may put executives in the crosshairs of the board of directors, according to

independent analyst Rob Enderle.

"It shows the company is in trouble, and I am not sure how they are going to pull out of this," Enderle said of the earnings report.

"I am not convinced the action they are taking is going to offset the amount of cash they are rolling through—it may be too little, too late."

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