NO. 003

Snapchat's New Business

Summary -

APRIL 21, 2026

Snap Inc.’s business model is changing. Wall Street has tagged the company as an advertising company, which has been the dominant model for most of the company’s short time in the public market (9 years). But over the last two years, it has seen growth in one segment that is unrelated to advertising and has a marginal cost of selling near zero.

Snap+ is the subscription business for Snapchat’s app. I believe that this is the future; most tech companies’ dominant revenue today comes from a second business like AWS or Windows.

Snap Current Business Model-

Snap Inc currently has advertising as its dominant revenue source. And it has a unique offering through its AR filters, as a way to display ads, along with real estate in the apps, Maps, and contacts, and through its feed of videos. Snap had 5.9 billion in revenue in FY2025. Ads were 87% of revenue.

I view this business as the legacy business, and I expect revenue to still come from it at a high rate, but the higher-margin revenue and the growth driver will come from Snap +. The reason why the ad business has struggled compared to Meta is structural. Meta has products that, with every interaction, give them more data about a user, whereas Snap’s core value proposition is how everything is temporary, and they are a messaging platform, so there is inherently much less data anyway. Apple’s ATT privacy rules have further impacted Snap’s ability to track data, which helps it sell targeted ads, which is much harder for Snap than for its competition.

Snapchat + is a subscription service where users get experimental, pre-release, and exclusive features.

The pricing looks like this -

Annual Plan - $2.25/mo

Monthly Plan - $4.49/mo

Lens+ - $7.99/mo

Platinum - $13.49/mo

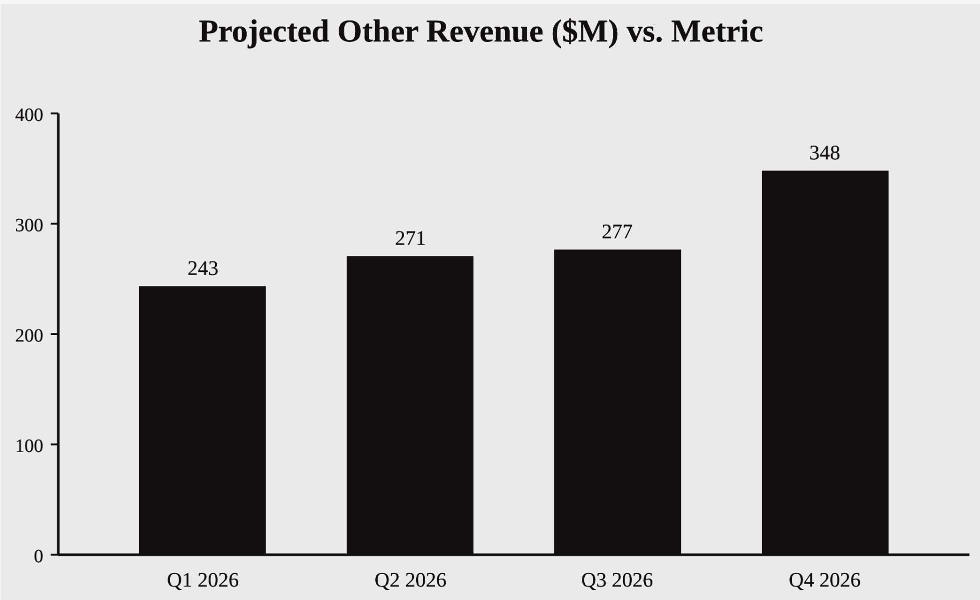
Family Plan - $6.49/mo

Snap has provided guidance that “direct revenue” will have a 1 billion annualized revenue run rate in 2026. The key thing is that the marginal cost to serve the next user for this is near zero. The only real cost is the cut they pay through Apple.

Snap Inc - Subscription Business Projections

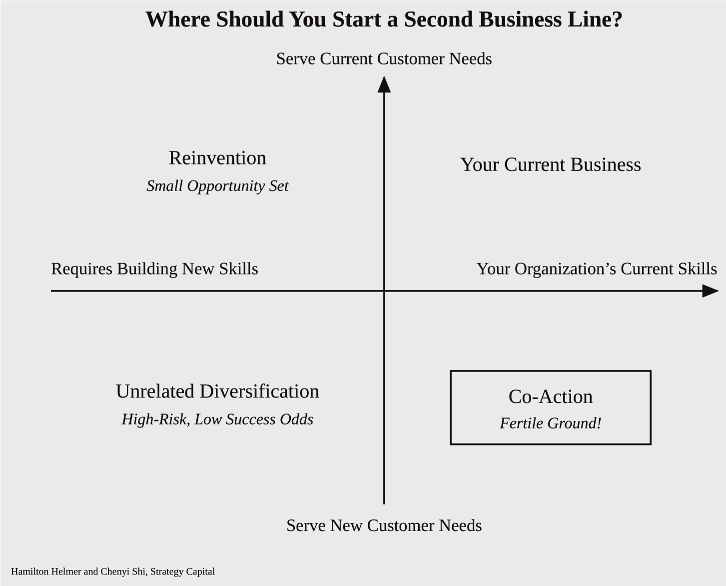
Metric	FY 2024				FY 2025			
	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
Other Revenue ($M)	87	107	123	143	152	175	190	232
Subscribers (M)	9.4	10.3	12.0	14.0	15.0	16.0	20.0	24.0
Blended ARPU / Month ($)	$3.09	$3.46	$3.42	$3.40	$3.38	$3.65	$3.17	$3.22
YoY Revenue Growth	194%	194%	194%	194%	194%	194%	194%	194%
ARR Run Rate ($M)	348	428	492	572	608	700	760	928
FY Total Other Revenue ($M)	460				749			

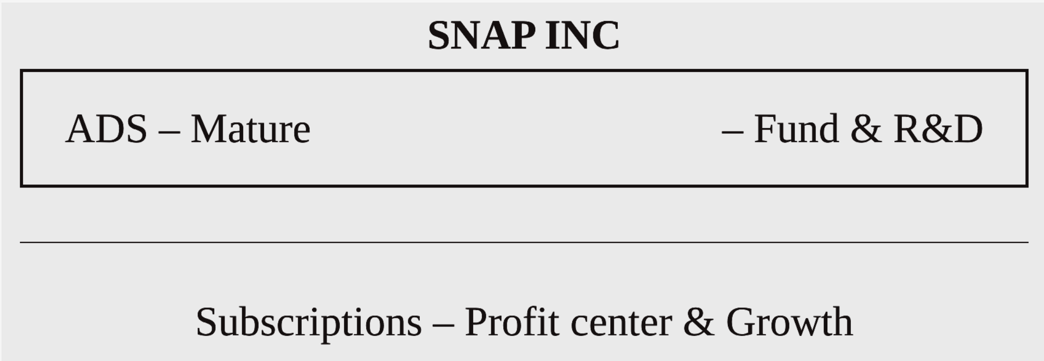
Metric	FY 2026 (Projections)			
	Q1 2026	Q2 2026	Q3 2026	Q4 2026
Assumed YoY Growth Rate	60%	55.0%	46.0%	50.0%
Projected Other Revenue ($M)	243	271	277	348
Projected Subscribers (M)	26.0	28.0	30.0	32.0
Projected Blended ARPU / Month ($)	$3.12	$3.23	$3.08	$3.63
FY 2026 Projected Revenue ($M)	1,140			



Why this Business Model transfer can work -

Snap has the network effects currently for this transition to work. Advertising is sound, it’s just harder for the platform as stucturally the lack of targetted data. The combination of both can make Snap a great business, and the stock should recover well.





← No. 004 All studies No. 002 →

S-1 - Independent company studies, written in decades.