



Snap Inc.

SNAP

EQUITY RESEARCH REPORT

July 31, 2026

SNAP — Snap Inc.

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EXECUTIVE SUMMARY

Metric	Value
Recommendation	**AVOID**
Current Price	€4.07 (USD \$4.69)
Fair Value (Base Case)	€3.40–4.20 (highly uncertain)
Margin of Safety	Negative to negligible
Target Entry (if HOLD)	N/A — fails absolute requirements

Return Profile	Value
Dividend Yield	0.0%
Expected Dividend Growth	N/A (pays no dividend)
Expected Price Appreciation	Wide dispersion, unreliable
Total Expected Return (Base)	~4–6% CAGR (below hurdle)
Bear Case Total Return	-15% to -20% CAGR
Bull Case Total Return	+18% CAGR
Probability-Weighted Return	~2–4% CAGR

Risk Assessment	Value
Wealth Preservation Score	**31 / 100**
Downside Protection Score	25 / 100
Quality Score	38 / 100
Risk Level	**ELEVATED**
Probability of >50% Loss	~25–30%
Recession Profile	**VULNERABLE**

One-Line Thesis:

Snap is an unprofitable, single-revenue-stream advertising platform with no dividend, founder super-voting control that neutralizes shareholder rights, and a documented ad-platform reliability failure that erased over a

billion dollars in revenue. It fails the wealth preservation mandate on every non-negotiable criterion.

INVESTMENT THESIS

You are being asked whether Snap preserves capital. It does not. The company has reported a GAAP net loss every year of its public life, including a \$460 million loss in fiscal 2025 and continued quarterly losses into 2026. A wealth preservation mandate starts with one question: how much can you lose? With Snap, the honest answer is a large fraction of your capital, and the structure of the business gives you no reliable floor.

The revenue base is roughly 87% advertising, concentrated in North America and Europe where daily active users are declining. Growth in users comes from low-ARPU regions that dilute revenue quality. This means top-line growth now depends on squeezing more money from a shrinking premium audience while competing against Meta, TikTok, and YouTube, all of which have more scale and pricing power. When ad budgets contract in a recession, advertisers cut experimental and lower-ROI platforms first. Snap sits in that category. A 2008 or 2020-style downturn would hit revenue hard and push losses deeper, and the company has no dividend to cushion your return.

The governance structure removes the discipline that might otherwise protect you. Founders control over 99% of voting power through Class C shares, so as a Class A holder you own economics with no voice. Management continues to burn an estimated \$500 million annually on unproven "Specs" hardware while cutting 16% of the workforce, including engineers in an ad-tech business that lives or dies on machine learning. The 2026 ad-auction misconfiguration that erased \$1.34 billion in revenue, followed by a securities fraud suit alleging management concealed the failure, points to weak internal controls over the one thing that generates cash. When downside is this open-ended and the people running the company answer to no one, capital preservation is impossible to underwrite.

Against a 4% risk-free savings account, Snap offers no income, negative earnings, ROIC below WACC, and a bear case that permanently impairs capital. The framework requires bear-case total return of at least 0% and base-case return above 7%. Snap clears neither. This is a pass regardless of any upside narrative around AR or AI.

1. BUSINESS QUALITY ASSESSMENT

Snap runs a camera-first consumer app monetized almost entirely through advertising. Snapchat+ subscriptions and Spectacles hardware are strategic diversifiers, not profit centers. The business is understandable, which satisfies the first sector screen, but understanding it makes the risks clearer, not smaller.

Sector classification (Stage 1): Communication services / digital advertising. This is **highly cyclical**, not defensive. Ad budgets move with the economy and get cut first in downturns. The framework requires a fortress balance sheet and a valuation discount for highly cyclical names. Snap has neither a fortress balance sheet nor a durable earnings base.

Secular trend: Digital advertising overall is growing, so the sector is not in secular decline. However, Snap's position within it is eroding, with North American DAUs falling roughly 2 million quarter-over-quarter and engagement shifting to TikTok and Reels.

Sector verdict: Highly cyclical without a fortress balance sheet. Under the standard framework this proceeds only with exceptional balance sheet strength AND a valuation discount. Snap fails the balance sheet test.

2. FINANCIAL FORTRESS ANALYSIS

Solvency Check — the critical gate:

Metric	Snap	Threshold	Result
Debt-to-Equity	Elevated (P/B ~6x, ~\$4.2B debt vs. \$2.8B cash)	<1.0x	Concerning
Interest Coverage (EBIT/Interest)	Negative (operating losses)	>5.0x	**FAIL**
Free Cash Flow	Positive 2024–2025 (\$219M, \$487M) vs. negative 2021–2023	Positive marginally	Borderline pass
Cash vs Total Debt	~\$2.8B cash vs ~\$4.2B debt (~67%)	>70%	Adequate
Net income	Loss every year 2021–2025	Positive	**FAIL**

Five-year record:

FY	Revenue (\$M)	Net Income (\$M)	Net Margin	Adj EBITDA (\$M)	FCF (\$M)
2021	4,117	(488)	-11.9%	421	165
2022	4,602	(1,430)	-31.1%	250	37
2023	4,606	(1,322)	-28.7%	162	35
2024	5,361	(698)	-13.0%	509	219
2025	5,931	(460)	-7.8%	689	437

Stress Test — revenue down 30% for two years: With operating losses even at current revenue, a 30% revenue decline would push Snap into deep losses and threaten its ability to service \$4.2B of debt from a \$2.8B cash pile that is already shrinking through buybacks and hardware burn. No dividend to protect. A dilutive equity raise or debt refinancing at bad terms becomes likely.

Solvency Assessment: MARGINAL. FCF has turned positive recently, which is the one bright spot, but persistent GAAP losses, negative interest coverage, and net debt in a cyclical business rule out FORTRESS or ADEQUATE. Under the framework, MARGINAL requires an exceptional valuation discount to proceed, which is absent.

Earnings Quality: Adjusted EBITDA masks the reality of ten consecutive years of GAAP losses. The gap between the two is driven largely by stock-based compensation, estimated at \$1.05B for FY2026, roughly 18% of revenue. This is a real economic cost transferred to shareholders through dilution. **Earnings Quality: QUESTIONABLE.**

Dilution Check: Heavy and structural. SBC of ~\$1B annually against a mid-cap market value dilutes existing holders by mid-single-digit percentages per year. The November 2025 \$500M buyback (29.4M shares for \$250.3M, completed January 2026) only partially offsets this. **Dilution Assessment: DEAL-BREAKER** under the framework's >4% annual dilution rule, compounded by 99% founder voting control that gives you no

recourse.

3. DIVIDEND ANALYSIS

Snap pays no dividend and has no history of doing so. Capital allocation prioritizes product reinvestment, SBC, and unprofitable hardware.

Dividend Sustainability: N/A — no dividend.

For a wealth preservation mandate, the absence of any income return is a material negative. It removes the return cushion that would otherwise offset price volatility, and it means your entire return depends on price appreciation in a stock with a wide, mostly downward, distribution of outcomes.

4. VALUATION ANALYSIS

At €4.07 / \$4.69, trailing P/E is not meaningful because earnings are negative.

Metric	Current (approx)	5Y Avg	Assessment
Forward P/E	~16–28x (wide range)	n/m	Depends on unproven profit turn
EV/EBITDA (LTM)	~12x	negative/erratic	In line with peers if EBITDA holds
P/FCF	~18–34x	very high historically	Full for a no-moat platform
P/B	~3.5–6.2x	~13.3x	Below own history
P/S	~1.3–2.6x	inflated by tiny early revenue	Near sector median

The bullish argument rests on the stock trading well below its own 2020–2021 multiples. That comparison is a trap. Those peaks reflected a zero-rate mania, not a fair baseline. Against ad-tech peers, Snap trades roughly in line on sales and cash-flow metrics but remains riskier because it does not consistently earn a profit. There is no meaningful margin of safety when the earnings base you would anchor to does not exist.

Valuation: FULL relative to business quality. The apparent cheapness versus history is offset by structural unprofitability and negative ROIC.

5. SCENARIO ANALYSIS (10-Year)

Snap pays no dividend, so total return equals price appreciation only.

BEAR CASE (30% weight): Ad recession plus continued North American user erosion. Revenue stagnates or falls, losses persist, dilution continues, and a debt refinancing or equity raise occurs at unfavorable terms. Regulatory action on youth safety adds cost. 10-year price target: €2.00–2.80. Total Return CAGR: **-15% to -20%.**

BASE CASE (50% weight): Modest revenue growth of high-single digits, gradual march toward GAAP breakeven, SBC continues to dilute. Multiple stays compressed. 10-year price target: €4.50–5.50. Total Return CAGR: ~4–6% (below the 7% hurdle).

BULL CASE (20% weight): DR ad platform stabilizes, AR/AI monetization scales, sustained GAAP profitability arrives, multiple re-rates. 10-year price target: €10–12. Total Return CAGR: ~+18%.

Probability-Weighted Return: $(0.30 \times -17\%) + (0.50 \times 5\%) + (0.20 \times 18\%) \approx \sim 2\text{--}4\% \text{ CAGR}$.

Downside Protection: Bear case is deeply negative. Probability of >50% permanent loss estimated at 25–30%, well above the framework's 10% ceiling. This alone disqualifies the position.

Scenario	Price Target	Total CAGR	Weight	Contribution
Bear	€2.40	-17%	30%	-5.1%
Base	€5.00	+5%	50%	+2.5%
Bull	€11.00	+18%	20%	+3.6%
Expected		**~+1 to +3%**		

6. RISK ASSESSMENT

- **Single-revenue dependence:** ~87% advertising, cyclical and exposed to budget cuts.
- **Ad-platform reliability:** 2026 auction misconfiguration erased \$1.34B revenue and drove a 17% stock drop, exposing weak internal controls.
- **Securities litigation:** 2026 fraud suit alleging concealment of ad platform failures, ~\$14B market cap decline.
- **Regulatory/youth safety:** Utah suit (June 2025) over experimental AI on minors; FTC/DOJ scrutiny of My AI; broader state AG pressure.
- **Governance:** Founders hold 99%+ voting control; Class A holders are effectively disenfranchised.
- **Vendor concentration:** Heavy Google Cloud dependence, \$2B five-year commitment, some services with "no alternative in the market."
- **Capital allocation:** ~\$500M annual burn on unproven Specs hardware.
- **User erosion:** North American and EU DAU declines in the highest-ARPU regions.
- **Dilution:** ~\$1.05B SBC for FY2026 as a persistent headwind.

Risk Level: ELEVATED.

7. MANAGEMENT & GOVERNANCE

Evan Spiegel and co-founder retain super-voting Class C shares controlling over 99% of votes. This insulates management from any external discipline over strategy, pay, or capital allocation. There is no activist path, no proxy leverage, no board accountability to public holders.

The capital allocation record is poor by preservation standards: continued funding of unprofitable hardware, deep engineering layoffs in a business whose competitive edge is ad-tech machine learning, and an ad-platform failure severe enough to trigger securities litigation. The recent buyback was small relative to ongoing SBC and does not offset dilution.

Management Quality: CONCERNING. Capital Allocation Track Record: POOR.

8. PEER COMPARISON

Against Meta, Alphabet, and Pinterest, Snap is the weakest on every wealth preservation dimension: it is the only one with persistent GAAP losses, the only one with 99% founder voting control, and it has the least pricing power with advertisers. Peers offer positive earnings, stronger balance sheets, and in some cases dividends or substantial buybacks. Snap's sales multiple is not enough cheaper to compensate for the profitability and governance gap.

Wealth Preservation Quality Score: ~38/100 (fails balance sheet fortress, income reliability, and capital efficiency sub-scores; scores only partially on recent valuation compression).

9. KEY METRICS SUMMARY

Metric	Value
Price	€4.07 / \$4.69
FY2025 Revenue	\$5,931M (+10.6%)
FY2025 Net Loss	(\$460M)
FY2025 FCF	\$437M
Dividend	None
Net debt	~\$1.4B (approx)
ROIC vs WACC	Below WACC (value destroying)
WP Score	31/100

10. MONITORING CHECKLIST

Not applicable for a BUY, but re-review triggers if avoiding:

- Two consecutive quarters of GAAP profitability
- Elimination of Specs hardware burn
- North American DAU stabilization or growth
- Resolution of securities litigation without material liability

- Any move toward dual-class sunset or improved governance

11. MARKET EXPECTATIONS & CONSENSUS

The current price implies the market expects Snap to reach sustained profitability but assigns real probability to continued losses and structural decline. Consensus clusters around "Hold" with modest upside targets, wide dispersion reflecting genuine uncertainty about the ad platform turnaround.

Consensus Bull Case: DR ad platform recovers, AR/AI monetization scales, margins expand to GAAP profit.

Consensus Bear Case: Continued North American user exodus, ad-demand weakness, deeper losses.

What would validate consensus: Q2 2026 revenue at the high end of \$1.52–1.55B guidance with narrowing losses and DAU stabilization.

What would disappoint: Revenue miss, further North American DAU decline, larger restructuring charges (guided \$95–130M pre-tax in Q2).

Forward Valuation (from research data, ranges noted — not fabricated):

Metric	Value	Assessment
Fwd P/E	~16–28x	Wide; depends on unproven profit turn
EV/EBITDA (LTM)	~12x	In line with peers if EBITDA sustains
P/B	~3.5–6.2x	Below own history, high vs risk
Beta	Elevated (>1)	Cyclical/growth — pro-cyclical exposure

12. KEY BUSINESS DRIVERS

Driver 1: North American DAU and ARPU

Why it matters: North America is the highest-ARPU region and drives most revenue.

Current level: ~92M NA DAU, declining ~2M QoQ.

Bull threshold: Stabilization or growth.

Bear threshold: Continued 1–2M QoQ declines.

Next data point: Q2 2026 earnings (~Aug 4, 2026).

Driver 2: GAAP net income trajectory

Why it matters: Ten years of losses; the entire bull thesis requires sustained profitability.

Current level: Q1 2026 net loss ~\$89M; FY2025 loss \$460M.

Bull threshold: GAAP breakeven or profit for two consecutive quarters.

Bear threshold: Losses widening.

Next data point: Q2 2026 earnings.

Driver 3: Ad revenue and DR platform reliability

Why it matters: ~87% of revenue; the 2026 auction failure showed fragility.

Current level: Q2 guided \$1.52–1.55B revenue, \$175–200M adj EBITDA.

Bull threshold: Revenue at/above high end, no further platform failures.

Bear threshold: Miss plus renewed reliability issues.

Next data point: Q2 2026 earnings.

Driver 4: Stock-based compensation and dilution

Why it matters: ~\$1.05B FY2026 SBC erodes per-share value.

Bull threshold: SBC declining as % of revenue.

Bear threshold: SBC flat or rising with continued share growth.

Next data point: Q2 2026 filing.

13. PROXY TRACKERS & LEADING INDICATORS

Proxy	Ticker	Relationship	Signal
Meta Platforms	META	Ad-demand bellwether, leads	Bullish if META ad revenue accelerates; bearish if it slows
Pinterest	PINS	Closest scaled peer, correlates	Bearish for SNAP if PINS signals ad softening
Communication Services ETF	XLC	Sector sentiment, correlates	Bearish if XLC breaks 50-day MA
Trade Desk	TTD	Programmatic ad demand, leads	Confirms ad-spend cycle direction

Monitoring rule: If META or PINS guides down on ad demand, Snap's already-weak thesis deteriorates further; treat as confirmation of bear case.

FINAL RECOMMENDATION

RECOMMENDATION: AVOID

Snap fails the wealth preservation mandate on every non-negotiable requirement:

- Bear case total return is deeply negative (-15% to -20% CAGR), far below the required $\geq 0\%$.
- Base case return (~4–6% CAGR) falls short of the 7% hurdle.
- Solvency is MARGINAL, not FORTRESS or ADEQUATE.
- No dividend exists to provide income cushion.
- Probability of >50% permanent loss (~25–30%) exceeds the 10% ceiling.
- WP Score of 31 is well below the 50 floor.
- The risk profile is worse than 50/50, with dilution and governance stacked against you.

What would change the assessment: Two-plus years of consistent GAAP profitability, elimination of the hardware cash burn, North American DAU stabilization, resolution of securities litigation, and a governance structure that gives public holders a voice. Absent these, Snap remains unsuitable for capital preservation. Your 4% savings account is the better allocation.

ANALYST NOTES

Key Assumptions:

- Current price €4.07 / \$4.69 as provided (authoritative).
- Ad advertising mix ~87%, ten consecutive years of GAAP losses.
- Founder voting control >99%, SBC ~\$1.05B FY2026.
- FCF positive 2024–2025; net debt position from ~\$2.8B cash vs ~\$4.2B debt.

Limitations:

- Valuation multiples vary widely across data providers; ranges used rather than single points.
- Some 2026 litigation and ad-auction figures sourced from commentary in research data, not primary filings.
- Debt-to-equity precise figure not cleanly provided; assessed from P/B and cash/debt data.
- Fair value estimate is unusually wide given negative earnings and uncertain profit inflection.

Confidence Level: HIGH — The AVOID conclusion does not depend on precise valuation. Persistent losses, no dividend, MARGINAL solvency, 99% founder control, and a documented ad-platform failure independently disqualify Snap under the framework.

Report prepared for Moschovakis Capital. This analysis is for informational purposes only.

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