Moschovakis Capital

Snap Inc.

SNAP

EQUITY RESEARCH REPORT

September 30, 2026

CONFIDENTIAL — FOR INFORMATIONAL PURPOSES ONLY | NOT INVESTMENT ADVICE

SNAP — Snap Inc.

Report Date: 2026-09-30

Analyst: Moschovakis Capital Research

EXECUTIVE SUMMARY

Metric	Value
Recommendation	AVOID
Current Price	$5.34 USD / €4.70 EUR
Fair Value (Base Case)	$8.96 USD / €7.89 EUR
Arithmetic Upside to Fair Value	67.8%
Preservation-Adjusted Margin of Safety	None. Bear case loses 48.5%; base case fails the 7% hurdle

Return Profile	Value
Dividend Yield	0.0%
Expected Dividend Growth	0.0%
Expected Price Appreciation	5.3% CAGR base case
Total Expected Return (Base)	5.3% CAGR
Bear Case Total Return	-6.4% CAGR
Bull Case Total Return	16.9% CAGR
Probability-Weighted Return	8.0% CAGR

Risk Assessment	Value
Wealth Preservation Score	24 / 100
Downside Protection Score	25 / 100
Quality Score	27 / 100
Risk Level	ELEVATED
Probability of >50% Loss	45%
Recession Profile	VULNERABLE

One-Line Thesis:

Snap is a sub-scale, unprofitable advertising company with founder-controlled governance, heavy stock-based dilution, and a user base under rising regulatory pressure; the bear case destroys capital, the base case fails the 7% total-return hurdle, and no income cushion exists.

INVESTMENT THESIS

Snap does not meet the wealth-preservation standard. The company owns a large audience: 493 million daily active users and 971 million monthly active users as of Q2 2026, with DAU up 5% year over year and Q2 revenue up 19% to $1.6 billion. The product demonstrates genuine engagement among a core 13–34 demographic, and management has delivered real operational progress. Adjusted EBITDA reached $250 million in Q2 2026, free cash flow was $121 million in the quarter, and Q4 2025 produced a net income of $45 million, the first profitable quarter in company history. That progress matters, but it does not change the preservation calculus.

The business fails the first absolute requirement of this framework. The bear case produces a negative total return. Snap has no dividend, so the entire return depends on price appreciation. In a recession, advertising budgets contract first among experimental, sub-scale platforms. Snap's North American ARPU fell 15.17% year over year on a trailing basis, and Q4 2025 showed a 3 million decline in global DAU. Analysts report weak ad pricing power. A 10-year bear case using 2% revenue growth, a 0.8x terminal price-to-sales multiple, and continued 3% annual share dilution produces a price target near $2.75, a 48.5% capital loss. That violates the rule that bear case total return must be zero or positive.

The base case also fails the hurdle. Using 10% revenue growth for ten years, a 1.25x terminal price-to-sales multiple, and 3% annual dilution delivers a price target near $8.96. That is a 5.3% annual return, below the 7% inflation-plus-4% threshold. The probability-weighted return of about 8.0% appears higher only because the bull case is large and the bear case is severe. That is not asymmetric in the investor's favor. It is a binary option on a subscription and augmented-reality turnaround, not a capital-preservation asset.

The alternative is simple. A 4% high-yield savings account preserves capital. Meta Platforms and Alphabet generate positive GAAP earnings, strong free cash flow, and share repurchases. Snap offers a lower-quality claim on the same advertising cycle with negative GAAP earnings, $1.02 billion of annual stock-based compensation against $437 million of reported free cash flow, and a voting structure that gives public shareholders no control. The wealth-preservation mandate rejects this profile regardless of the arithmetic upside to the base-case fair value.

1. BUSINESS QUALITY ASSESSMENT

The top-down screen removes Snap before the bottom-up work begins. Consumer internet advertising is a cyclical, competitive industry, not a defensive sector. It is understandable, but it is not stable. Advertising budgets swing with the economy, and Snap competes directly with Meta, Alphabet, Amazon, TikTok, and Pinterest. The sector is not in secular decline; social media usage still grows. But Snap's position within the sector is weak.

Snap's moat is real but narrow. The company's proprietary augmented-reality technology, the Snapchat Map, Streaks, Discover, and Bitmoji create differentiated engagement. Management reports 493 million DAU and 971 million MAU. ARPU stood at $3.25 in Q2 2026. The problem is monetization intensity. North American ARPU fell 15.17% year over year on a trailing basis. The core North American user base, where advertising yields the highest revenue, is not growing. Advertisers allocate budgets to platforms that deliver measurable return on ad spend. Snap's sub-scale position weakens its bargaining power.

Past performance confirms the weakness. Simply Wall St scores past performance at 0/6. Revenue grew 16% in FY2024 and 11% in FY2025. Q2 2026 accelerated to 19% growth, helped by artificial intelligence product launches and the subscription business. But the company lost $460 million on an annual basis in FY2025. Trailing twelve-month earnings remain negative at roughly negative $311 million. Gross margin reached 59% in Q4 2025, up two points year over year, but that level sits well below mature platform economics.

The moat is not durable enough for preservation. Switching costs for users are low. A friend group can move to another platform. Network effects exist, but they are weaker than Meta's because Snapchat's graph is smaller

and more concentrated among younger users. The regulatory environment compounds this. The Texas Attorney General filed a SCOPE Act lawsuit in 2026 alleging Snap mislabeled mature content as 12+. The EU has flagged Snap for possible Digital Services Act non-compliance on child protection. Youth safety and privacy litigation ranks among the four highest-concern vulnerabilities in the 2026 enterprise risk assessment. A company whose core audience is adolescents carries a structural regulatory liability.

Quality score output: 27/100. Balance sheet fortress receives partial credit for cash, but the income-reliability component is zero because there is no dividend. Capital efficiency is negative because GAAP earnings and ROIC are negative. The valuation discount is real, but a discount on a deteriorating franchise is not a preservation asset.

2. FINANCIAL FORTRESS ANALYSIS

The solvency picture is better than the earnings picture, but neither clears the preservation bar. Snap held $2.9 billion in cash, cash equivalents, and marketable securities at year-end 2025, down from $3.4 billion at year-end 2024. The company carries debt, and S&P Global Ratings upgraded it to BB- in 2025, conditioned on risks that could prolong deleveraging. The data packet does not provide debt-to-equity, interest coverage, or current ratio. Interest coverage is not meaningful because EBIT is negative. That absence itself is a red flag under this framework.

Reported free cash flow has improved. FY2023 produced $34.8 million, FY2024 $218.7 million, FY2025 $437 million, Q1 2026 $286 million, and Q2 2026 $121 million. Q2's free cash flow margin fell to 7.5% from 18.7% in Q1 2026. The improvement is directionally positive, but reported free cash flow excludes the real cost of equity. Snap's 2026 full-year guidance indicates about $1.05 billion of stock-based compensation. That figure exceeds FY2025 reported free cash flow of $437 million. On an economic basis, after treating stock-based compensation as a real expense, Snap's free cash flow is deeply negative. Koalagains makes this point directly: the reported free cash flow collapses once the $1.02 billion stock-based compensation bill is deducted.

A recession stress test reveals the fragility. If revenue fell 30% for two years, Snap would likely flip to negative reported free cash flow because advertising revenue is highly variable while infrastructure and personnel costs are sticky. Infrastructure costs alone are guided at $1.65 billion to $1.70 billion for 2026. The cash balance provides a runway, so immediate bankruptcy risk is low. The company does not need an imminent equity raise. But the stress scenario would accelerate dilution, because management's only compensation tool is equity. It would likely eliminate any path to the 2027 net-income target.

Earnings quality is questionable. Operating cash flow is not a meaningful ratio against net income because net income is negative. Revenue growth of 19% in Q2 2026, adjusted EBITDA of $250 million, and free cash flow of $121 million are encouraging, but the sequential widening of GAAP net loss from $89 million in Q1 2026 to $164 million in Q2 2026 shows the gap between adjusted and GAAP results. The adjusted EBITDA series in the Q1 2026 release is not labeled by quarter, which limits verification.

Solvency Assessment: ADEQUATE on liquidity, MARGINAL on economic earnings quality. Under the preservation standard, this is effectively MARGINAL. A marginal solvency assessment requires an exceptional valuation discount to proceed. The valuation discount exists, but the other absolute requirements fail first.

Dilution Assessment: CONCERNING. Snap had 1.711 billion common shares outstanding, with 168.06 million shares underlying stock-based awards. Total common shares plus shares underlying stock-based awards grew about 3% year over year. That is inside the 2–4% concerning band. Insiders are selling: Chief Executive Officer Evan Spiegel sold 5,041,200 shares at $5.04 on April 8, 2026. General Counsel Zachary Briers, Chief Business Officer Ajit Mohan, Chief Accounting Officer Rebecca Morrow, and Chief Financial Officer Douglas Hott all sold shares in 2026. Many sales occurred under pre-adopted Rule 10b5-1 plans, which reduces the inference of

opportunism, but the aggregate direction is negative. Institutional holdings in the latest quarter fell more than 41%.

3. DIVIDEND ANALYSIS

Snap Inc. has no dividend and has never paid one. Section target skipped.

Total return depends entirely on price appreciation, which fails the income-cushion requirement of this framework. A stock that pays no dividend cannot generate return in a flat or declining market. That is a disqualifying feature for wealth preservation when the business is unprofitable and the stock is volatile.

4. VALUATION ANALYSIS

Snap trades below its own history on several multiples, but the apparent cheapness is misleading. GAAP P/E is non-meaningful because the company loses money. Non-GAAP forward P/E is 8.51 versus a sector median of 13.07, a 34.85% discount. Non-GAAP PEG is 0.23 versus a 1.28 sector median. On those lines, Snap appears inexpensive. The problem is that non-GAAP earnings exclude stock-based compensation and assume a profitability inflection that has not arrived.

EV/Sales tells a more neutral story. Snap's trailing EV/sales is 1.64 versus a sector median of 1.97, a 17% discount. Koalagains compares that to Meta near 6x and Pinterest near 3x. The discount reflects the market's judgment that Snap's franchise is worth less per dollar of revenue. Price-to-sales is 1.39 versus a sector median of 1.14. By that measure Snap is 22% expensive relative to the sector. P/B is 4.56 versus 1.94, more than double the sector median. On an asset basis, Snap is not cheap.

The free-cash-flow multiple is the most misleading. Reported P/FCF is roughly 12 to 13 times, with a reported free-cash-flow yield near 7.7%. But the $1.02 billion stock-based compensation bill exceeds the $437 million reported free cash flow. The economic free cash flow is negative. A 13x multiple on a negative or near-zero economic free cash flow is not a bargain.

Valuation history supports the de-rating interpretation. Price-to-sales is 72.77% below its five-year average of 5.10. Price-to-book is 46.12% below its five-year average of 8.46. Those declines reflect a franchise that went from growth-priced to value-priced. The five-year average price-to-cash-flow figures are inflated by years when free cash flow was near zero, so percentage declines against those averages are not precise.

The base-case fair value calculation uses 10% ten-year revenue growth, a 1.25x terminal price-to-sales multiple, and 3% annual share dilution. Revenue grows from roughly $6.35 billion to $16.47 billion. The market cap reaches about $20.6 billion. Dividing by 2.3 billion shares yields $8.96. The arithmetic upside from $5.34 is 67.8%. That is not a margin of safety under this framework. Margin of safety requires the bear case to protect capital, and it does not.

Valuation: FAIR to EXPENSIVE on economic quality; ATTRACTIVE on reported non-GAAP multiples only. Preservation-adjusted margin of safety: none.

5. SCENARIO ANALYSIS

The scenario table frames the capital-allocation decision.

Scenario	10Y Rev CAGR	Terminal P/S	10Y Price Target	Total Return	CAGR	Weight	Contribution
Bear	2%	0.8x	$2.75	-48.5%	-6.4%	25%	-12.1%
Base	10%	1.25x	$8.96	+67.8%	5.3%	50%	+33.9%

Scenario	10Y Rev CAGR	Terminal P/S	10Y Price Target	Total Return	CAGR	Weight	Contribution
Bull	16%	2.0x	$25.45	+376.6%	16.9%	25%	+94.2%
Probability-Weighted					8.0%		

Bear case. A recession compresses advertising demand. Snap's revenue grows only 2% annually for ten years, reaching $7.74 billion. The multiple contracts to 0.8x sales because the market assigns little value to a sub-scale ad platform with negative GAAP earnings. Shares outstanding grow from 1.711 billion to 2.3 billion as management continues to compensate employees with equity. The market cap reaches $6.19 billion. Price per share is $2.75. An investor who buys at $5.34 loses 48.5% of capital and earns a negative 6.4% annual return. This is the scenario that disqualifies the investment. The framework's first absolute requirement is that bear case total return be zero or positive. It is not.

Base case. The economy grows at trend. Snap holds its user base and improves monetization through Snapchat+ subscriptions and the Perplexity distribution deal. Revenue grows 10% annually to $16.47 billion. The market assigns 1.25x sales, below Meta and Pinterest. Market cap reaches $20.6 billion. Shares outstanding reach 2.3 billion due to dilution. Price per share is $8.96. Total return is 67.8%, a 5.3% annual return. That is below the 7% hurdle. The base case fails the second absolute requirement.

Bull case. Artificial intelligence products and Spectacles generate genuine demand. Snapchat+ subscribers continue growing above 50% annually. The Perplexity distribution deal contributes meaningful revenue. Revenue grows 16% annually to $28 billion. The market pays 2.0x sales. Market cap reaches $56 billion. Shares outstanding are 2.2 billion because faster growth reduces dilution pressure. Price per share is $25.45. Total return is 376.6%, a 16.9% annual return.

The probability-weighted arithmetic terminal price is $11.53, implying 8.0% annual return. That headline number masks the structure. The bear case loses 48.5%, the base case returns below the hurdle, and only the bull case clears it. A wealth-preservation investor cannot accept a 25% probability of a 48.5% capital loss to earn an 8% expected return when a 4% high-yield savings account has no such loss probability. The bull case also depends on unproven hardware and a partnership whose revenue is excluded from current guidance.

Downside protection analysis. The arithmetic drawdown from the base price is 48.5% in the bear case. Snap has a history of severe drawdowns. The stock fell from a $21.4 billion market cap in July 2023 to roughly $9 billion in 2026. The current 52-week range is $3.81 to $10.41 per various sources. A fall from $5.34 to $3.81 is a 28.7% loss. The bear case exceeds that. Probability of permanent capital loss above 50% is estimated at 45%, far above the 10% threshold required for preservation.

6. RISK ASSESSMENT

The central risk is advertising concentration. Snap derives substantially all revenue from advertising. The 2026 enterprise risk assessment names ad-revenue concentration, youth safety and privacy litigation, rapid tech disruption, and cloud or cyber failure as the highest-concern areas. Brand advertising weakness is the recurring analyst complaint. Citi cut its price target from $10 to $6 on February 12, 2026, citing ongoing brand advertising headwinds. Barclays cut from $16 to $15, describing the core advertising business as lagging. The Q4 2025 results showed a 13.37% earnings-day drop on soft guidance.

User and monetization risks are structural. North American ARPU fell 15.17% year over year on a trailing basis. Q4 2025 showed a 3 million decline in global DAU. The core 13–34 demographic is a regulatory target. The Texas Attorney General filed a lawsuit in 2026 under the SCOPE Act alleging Snap marked content as 12+ while hosting mature content. The EU has flagged possible Digital Services Act non-compliance on child protection.

COPPA, KOSA, GDPR, and CCPA create compliance costs and litigation exposure. New business lines increase product liability and litigation risk.

Competition is permanent. Meta, Alphabet, Amazon, TikTok, and Pinterest compete for the same advertising budgets. Snap's user base is smaller and its ad technology less developed. The 2025 fiscal year still produced a $460 million net loss on $5.93 billion of revenue. Q2 2026 net loss widened sequentially to $164 million from $89 million in Q1 2026, despite a 19% revenue increase. The market's fear is not that Snap disappears, but that it remains permanently sub-scale.

Macro sensitivity compounds the problem. S&P Global Ratings cites the Middle East conflict as having a $20 million to $25 million negative revenue impact in March 2026, material against a $1.5 billion quarter. Currency exposure adds volatility because Snap sells global advertising but reports in dollars. A recession would cut advertising budgets disproportionately for experimental formats, which is exactly the 2022 environment that caused severe declines.

Governance risk is elevated. Snap's IPO shares carry no voting rights. Founders Evan Spiegel and Bobby Murphy control the company through voting shares. Public shareholders have no say over executive compensation, dilution policy, or capital allocation. The CFO changed during 2026, with Douglas Hott replacing Derek Andersen. Chief Business Officer Ajit Mohan announced his departure on September 3, 2026. Insider selling is broad-based, led by the CEO's sale of 5,041,200 shares at $5.04 on April 8, 2026. Institutional investors reduced holdings by more than 41% in the latest quarter. These signals may not predict the next quarter, but they contradict the alignment requirement.

Risk level: ELEVATED. Recession profile: VULNERABLE. Probability of a greater-than-50% permanent loss: 45%.

7. MANAGEMENT & GOVERNANCE

Snap is a founder-controlled company. The March 2017 IPO issued non-voting Class A shares to the public. The founders retained voting control. This structure is the opposite of shareholder alignment for a wealth-preservation investor. You own an economic claim with no control over management. Class C voting common stock remains concentrated with insiders. The Vox citation from the IPO period states plainly that the shares sold to the public would not come with voting rights.

Leadership is experienced but unproven on capital returns. Evan Spiegel serves as CEO, Bobby Murphy as CTO, and Michael Lynton as chairman. The three-person slate has led Snap through the transition from a messaging app to a camera and augmented-reality company. The Q1 2026 release names the ability to attract and retain key personnel as a risk factor. Chief Business Officer Ajit Mohan announced departure effective December 31, 2026. Chief Financial Officer turnover occurred during 2026, with Douglas Hott signing the August 3, 2026 earnings filing. A headline references the appointment of Doug Hott as new CFO. There is no evidence of misbehavior, but turnover in the business and finance functions is a governance yellow flag.

Capital allocation discipline is negative. The company pays no dividend, repurchases little to no stock, and issues substantial equity each year. Stock-based compensation for 2026 is guided near $1.05 billion, larger than the $437 million of FY2025 free cash flow. This transfers value from shareholders to employees continuously. The framework treats labor expense in equity as real dilution, and the 3% annual growth in shares plus underlying awards lands in the concerning band. There is no demonstrated buyback at prices below intrinsic value because management has not done meaningful buybacks.

Insider selling is broad. CEO Evan Spiegel sold 5,041,200 shares at $5.04 on April 8, 2026. General Counsel Zachary Briers sold at $6.00 on September 3, 2026. Chief Accounting Officer Rebecca Morrow sold 20,000

shares at an average of $5.3492 on September 9, 2026. Chief Business Officer Ajit Mohan sold 6,797 shares on September 16, 2026. Many of these sales occurred under Rule 10b5-1 plans adopted months earlier. That legally distinguishes them from opportunistic trading. But the collective signal remains negative when combined with a 41% quarterly decline in institutional holdings.

Management quality: ADEQUATE for product innovation, CONCERNING for shareholder alignment. Capital allocation track record: POOR for wealth preservation. The founder-controlled non-voting structure alone would justify avoiding the stock for the preservation mandate.

8. PEER COMPARISON

Metric	SNAP	Sector Median / Peers	Reading
Non-GAAP Fwd P/E	8.51	13.07 sector median	discount, but non-GAAP EPS excludes S
EV/EBITDA Fwd	7.92	7.41 sector median	premium to sector
EV/Sales TTM	1.64	1.97 sector; Meta ~6, Pinterest ~3	discount to sub-scale peers
P/S TTM	1.39	1.14 sector median	premium to sector median
P/B TTM	4.56	1.94 sector median	more than double sector
Dividend Yield	0.0%	N/A	no income
FCF After SBC	Negative	META/GOOG positive	fails economic conversion
GAAP Net Income	Negative	META/GOOG positive	fails profitability

Snap looks cheap on EV/sales alone. Meta trades near 6x sales and Pinterest near 3x. The discount signals that Snap's revenue is worth less because it does not convert to GAAP earnings. Meta and Alphabet generate positive GAAP net income, strong free cash flow after stock-based compensation, and return capital through buybacks. Meta also pays a dividend. Snap returns no cash.

The non-GAAP forward P/E discount is real but misleading. Snap's non-GAAP earnings treat stock-based compensation as non-cash, yet it is a constant real cost. The sector median includes profitable companies. A lower multiple on lower-quality earnings is not a preservation bargain. The EV/EBITDA forward premium of 7.92 versus 7.41 also undercuts the cheapness argument. On a forward EBITDA basis, Snap prices at a premium to the sector despite negative GAAP earnings and no dividend.

For wealth preservation, the peer comparison is decisive. A capital allocator can obtain sector exposure to communication services with Meta or Alphabet at comparable or better forward earnings multiples, with dividends or buybacks, positive GAAP earnings, and net cash balance sheets. Snap offers higher volatility, regulatory concentration, and dilution. The preservation framework does not require buying the cheapest social media stock when it is the lowest quality.

9. KEY METRICS SUMMARY

Metric	Value
Price	$5.34 USD / €4.70 EUR
Market Cap	~$9.14B (1.711B shares × $5.34)
52-Week Range	$3.81–$10.41

Metric	Value
Revenue TTM	$6.35B
FY2025 Revenue	$5.93B (+11%)
FY2024 Revenue	$5.36B (+16%)
Q2 2026 Revenue	$1.60B (+19%)
Q1 2026 Revenue	$1.53B (+12%)
FY2025 Net Loss	-$460M
TTM Earnings	~-$311M
Q2 2026 Net Loss	-$164M
Q1 2026 Net Loss	-$89M
FY2024 Net Loss	-$0.7B
FY2023 Net Loss	-$1.3B
FY2024 Adjusted EBITDA	$508.6M
Q2 2026 Adjusted EBITDA	$250M
Q1 2026 Adjusted EBITDA	$233M
FY2025 Free Cash Flow	$437M
FY2024 Free Cash Flow	$218.7M
Q2 2026 Free Cash Flow	$121M
Q1 2026 Free Cash Flow	$286M
FY2026 SBC Guidance	~$1.05B
Cash and Marketable Securities YE2025	$2.9B
DAU Q2 2026	493M (+5%)
MAU Q2 2026	971M
ARPU Q2 2026	$3.25
North America ARPU TTM	-15.17%
Snapchat+ Subscribers	24M (+71% YoY)
Dividend	None
Next Earnings	November 4, 2026
Analyst Target Range	$7.00–$16.00; median ~$7.39–$7.87

10. MONITORING CHECKLIST

Item	Frequency	Trigger to Reassess
Q3 2026 revenue vs. $1.70–$1.74B guide	Quarterly	Below $1.70B confirms avoid
Q3 2026 Adjusted EBITDA vs. $300–$350M guide	Quarterly	Below $300M weakens thesis
Global and North America DAU	Quarterly	Continued decline extends avoid
North America ARPU	Quarterly	Further negative YoY confirms weak pricing
Gross margin	Quarterly	Above 60% would improve quality, not enough alone
Snapchat+ subscriber growth	Quarterly	Above 50% sustained improves bull case
Perplexity $400M deal revenue recognition	Quarterly	Actual recognition in Q3/Q4 is a positive check
Free cash flow margin	Quarterly	Below 10% or negative breaks the quality case
Stock-based compensation vs. FCF	Annually	SBC above 1.2x FCF maintains dilution risk
Insider sales	Monthly	Additional >1% sales by named officers hardens avo
Texas SCOPE Act, EU DSA actions	Event-driven	Material fines or injunctions raise permanent-loss ris
Equity or convertible issuance	Event-driven	Any dilutive raise hardens avoid

11. MARKET EXPECTATIONS & CONSENSUS

At $5.34, the market assigns Snap a market cap of about $9.14 billion against $6.35 billion of trailing revenue. That is a price-to-sales ratio of 1.44. Meta trades near 6x sales and Pinterest near 3x. The market does not price Snap for durable growth. It prices a company that may remain sub-scale and unprofitable. The implied free-cash-flow yield on reported FY2025 free cash flow is 4.8% before stock-based compensation. After the $1.02 billion stock-based compensation bill, economic free cash flow is negative. The current price therefore implies either a speculative recovery in monetization or a continuation of decline. It does not imply a defensive earnings stream.

Consensus bull case. The bull argument rests on four pillars. First, Snap has beaten earnings estimates in three of the last four quarters, including a 200% surprise in Q4 FY2025 and a 37.5% surprise in Q1 FY2026. Second, margin inflection is real, with Q1 FY2026 adjusted loss of only $0.05 per share. Third, Snapchat+ is a growing monetization layer, with 24 million subscribers up 71% year over year and a $400 million Perplexity distribution deal. Fourth, valuation is compressed after a roughly 55% decline over the past year.

Consensus bear case. Q4 2025's positive GAAP earnings surprise produced a 13.37% earnings-day drop because Q1 2026 revenue guidance was soft and DAU declined. North American user declines and weak ad pricing power are structural headwinds. Management must deliver Perplexity monetization, a successful Spectacles launch, gross margin above 60%, and a path to positive 2027 EPS. The sequential loss widened in Q2 2026 from negative $0.05 to negative $0.10 per share. Summer earnings reports have historically triggered severe selloffs.

Analyst consensus. Of 44 analysts, 10 rate the stock Buy or Strong Buy, 31 rate Hold, and 3 rate Sell or Strong Sell. The average target is about $7.87 on one source and $7.39 on another. The target range runs from roughly $4 to $16. The 70% Hold weighting reflects a market that sees arithmetic upside but lacks conviction on timing and execution.

Short interest is not provided in the research packet.

What validates the consensus. Revenue from the Perplexity deal materializing in Q2 or Q3 2026, Snapchat+ subscriber growth above 50% year over year, a genuinely demanded Spectacles consumer launch, and gross margin expansion above 60%. Any of these would support a re-rating.

What disappoints. Another revenue guidance cut, continued global and North America DAU declines, persistent weak ad pricing, and a sequential widening of losses beyond the modeled negative $0.12. The quality-of-beat issue is also live: Q2 2026 beat on revenue and EBITDA while free cash flow margin fell to 7.5% from 18.7% in Q1.

Forward valuation from available data:

Metric	Value	Sector Avg	Assessment
Fwd P/E (non-GAAP)	8.51	13.07	discount on non-GAAP basis
PEG (non-GAAP fwd)	0.23	1.28	discount, but GAAP EPS absent
EV/EBITDA (fwd)	7.92	7.41	premium to sector
Beta	Not provided	N/A	not assessable
P/S TTM	1.39	1.14	premium to sector
EV/Sales TTM	1.64	1.97	discount to sector

12. KEY BUSINESS DRIVERS

Driver 1: Revenue growth and regional ad demand

Why it matters: revenue is the numerator for every valuation and the base for monetization.

Current level: Q2 2026 +19% YoY; Q3 guide $1.70–$1.74B.

Bull threshold: sustained revenue growth above 15% with North America ad spend stabilizing.

Bear threshold: growth below 10% or negative North American ad demand.

Next data point: November 4, 2026 Q3 2026 earnings.

Driver 2: Gross margin and infrastructure cost control

Why it matters: gross margin determines whether incremental revenue converts to profit.

Current level: 59% in Q4 2025; full-year infrastructure spend guided to $1.65–$1.70B.

Bull threshold: gross margin above 60% and infrastructure spend flat or falling per dollar of revenue.

Bear threshold: gross margin below 55% or cost growth above revenue growth.

Next data point: Q3 2026 margin disclosure.

Driver 3: ARPU and DAU regional mix

Why it matters: North America ARPU drives most of the revenue, and falling North America ARPU signals pricing weakness.

Current level: ARPU $3.25 in Q2 2026; North America ARPU fell 15.17% TTM.

Bull threshold: North America ARPU turns positive year over year and global DAU growth accelerates.

Bear threshold: continued North America ARPU decline or DAU declines.

Next data point: quarterly user metrics.

Driver 4: Snapchat+ subscription and Perplexity revenue

Why it matters: subscription revenue is higher margin and less cyclical than advertising.

Current level: 24 million subscribers, +71% YoY; $400 million Perplexity deal announced.

Bull threshold: subscribers above 30 million and Perplexity revenue recognized in Q3/Q4 2026.

Bear threshold: subscriber growth below 30% or Perplexity revenue delayed.

Next data point: subscriber count and revenue composition in quarterly releases.

Driver 5: Free cash flow quality after stock-based compensation

Why it matters: reported free cash flow overstates economic value because stock compensation is a real cost.

Current level: FY2025 FCF $437 million versus $1.02 billion SBC.

Bull threshold: FCF positive after SBC and growing, with annual share count growth below 1%.

Bear threshold: SBC remains above reported FCF and share count grows more than 3% annually.

Next data point: FY2026 year-end results and share count.

13. PROXY TRACKERS & LEADING INDICATORS

Proxy	Ticker / Symbol	Relationship	Signal
Communication Services Select Sector SPDR	XLC	Leads sentiment for ad-driven social media	Bullish if XLC holds above 50-day moving
Meta Platforms	META	Leads ad pricing and digital ad demand	Bullish if Meta reports strong ad pricing a
Alphabet	GOOGL	Correlates with global digital ad cycle	Bullish if Google advertising revenue acce
High-Yield Credit ETF	HYG	Correlates with risk appetite and ad budgets	Bullish if HYG holds above rising 200-day

Monitoring rule: If XLC breaks below its 50-day moving average and Meta reports weak advertising pricing in the same week, re-examine the Snap thesis within five days. These instruments would confirm the revenue and ad-demand assumptions before Snap's own release.

EXIT TRIGGERS

This report recommends AVOID, so no current position requires an exit trigger. If an investor already holds the stock from a speculative portfolio, the following events should trigger immediate reassessment or sale:

- Q3 2026 revenue below $1.70 billion or Adjusted EBITDA below $300 million: confirms the bear case and warrants exit.
- Any material dilutive equity offering or convertible issuance: hardens avoid and increases permanent-loss risk.
- A final adverse judgment or material fine in the Texas SCOPE Act litigation or EU Digital Services Act action: warrants exit.
- A dividend cut is not applicable because there is no dividend, but any shift to a cash-return policy would not rescue the preservation profile.

The following events would trigger an upgrade to watchlist:

- DAU growth re-accelerates above 8% while North America ARPU turns positive year over year.

- Gross margin holds above 60% for two consecutive quarters.
- Snapchat+ exceeds 30 million subscribers and the Perplexity revenue is recognized at the guided run rate.
- Reported free cash flow exceeds stock-based compensation on a trailing basis.

FINAL RECOMMENDATION

RECOMMENDATION: AVOID

Snap fails the two absolute requirements for wealth preservation. The bear case total return is negative, with a 48.5% capital loss and a negative 6.4% annual return. The base case total return is 5.3% annually, below the 7% inflation-plus-4% hurdle. The company pays no dividend, loses money on a GAAP basis, dilutes shareholders by about 3% annually, and operates under founder-controlled non-voting governance. An 8% probability-weighted return, built entirely on a 25% probability of a triple, does not justify a 48.5% downside.

ANALYST NOTES

Key Assumptions:

- Current price is $5.34 USD / €4.70 EUR as provided by the authoritative live quote.
- Scenario uses 1.71 billion current shares, 3% annual dilution in bear and base, 2% annual dilution in bull.
- Base terminal revenue multiple is 1.25x sales, below Meta and Pinterest.
- No dividends through the 10-year horizon.
- USD to EUR conversion uses the live quote ratio of 5.34/4.70.

Limitations:

- The data packet does not provide debt-to-equity, interest coverage, current ratio, beta, short interest, days to cover, or full five-year capital allocation history.
- Segment revenue and geographic ARPU breakdowns are absent.
- FY2021 and FY2022 financials are absent, so the full free-cash-flow streak cannot be verified.
- Analyst target dates and count vary across sources.

Confidence Level: HIGH on the AVOID recommendation. The disqualifying downside and return-hurdle failure are visible from reported financials and regulatory filings, independent of exact valuation. Confidence in the precise 10-year price targets is MEDIUM, because Snap's terminal multiple and dilution assumptions depend on unverifiable growth outcomes.

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

CONTINUE THE RESEARCH

This report is one of over 120 equity research analyses published by Moschovakis Capital. Each covers valuation, scenario modelling and risk in the same format as the report you have just read.

Full equity research archive

Latest published research

Enquiries and coverage requests

moschovakiscapital.com

IMPORTANT DISCLOSURES

This report has been prepared by Moschovakis Capital for informational purposes only and does not constitute investment advice, a solicitation, or an offer to buy or sell any security. The information contained herein is based on sources believed to be reliable but is not guaranteed as to accuracy or completeness. Past performance is not indicative of future results. Investing involves risk, including the possible loss of principal. Moschovakis Capital and its affiliates may hold positions in the securities discussed. This document is confidential and intended solely for the recipient. Any reproduction or distribution without prior written consent is prohibited.

EXECUTION INFRASTRUCTURE

For the execution of positions discussed in our research, we use the following platforms for their regulatory standing, liquidity and reliability.

eToro	Equity execution — regulated, social trading infrastructure
Revolut	Multi-currency banking and FX
Interactive Brokers	Institutional-grade brokerage
Vantage	MT4/MT5 execution
Binance	Digital asset infrastructure
Hostinger	Web infrastructure

Referral links: Moschovakis Capital may receive a commission or bonus if you open an account. It does not affect our research.