



**Snap Interactive, Inc.**

**First Quarter 2017 Earnings Conference Call**

**May 11, 2017**

## C O R P O R A T E P A R T I C I P A N T S

**Michael Pritchard**, *Investor Relations, Haynes and Boone*

**Alex Harrington**, *Chief Executive Officer*

**Judy Krandel**, *Chief Financial Officer*

## P R E S E N T A T I O N

### **Operator:**

Good day, everyone, and welcome to the Snap Interactive Inc. First Quarter 2017 Earnings Conference Call. Today's call is being recorded. At this time, I would like to turn the conference over to Mr. Michael Pritchard, Company Counsel from Haynes and Boone. Please go ahead, sir.

### **Michael Pritchard:**

Thank you. Good afternoon, and welcome to the Snap Interactive First Quarter 2017 Earnings and Business Update Call. Again, my name is Michael Pritchard, and I am with Haynes and Boone outside Counsel to Snap. Hosting the call today are Alex Harrington, Chief Executive Officer, and Judy Krandel, Chief Financial Officer.

Before I turn the call over to Management, I'd like to remind everyone that earlier today, we issued a presentation to accompany this call. The presentation can be accessed on the Company's website: [snap-interactive.com](http://snap-interactive.com), under the Quarterly Earnings tab of the Investor Relations section or by following the link on Snap's homepage.

I'd like to inform everyone in attendance that certain statements made during today's conference call, that are not statements of historical fact including those concerning future plans, objectives, goals, strategies, or performance, and those related to the Company's integration efforts following the completion of its merger with AVM Software doing business as Paltalk, are forward-looking statements. These statements reflect the good faith beliefs and judgments of the Company and are based upon currently available information only as of the date of this conference call. These statements are subject to risks, uncertainties, and other factors that could cause actual results to differ materially from current expectations. These factors include those described in the Risks Factors section of the Company's periodic reports that are filed with the Securities and Exchange Commission. Forward-looking statements are not guarantees of future performance and the Company expressly disclaims any obligation to update earlier statements as a result of new information, except as required by law.

Certain non-GAAP measures may be discussed during today's presentation including Adjusted EBITDA. Adjusted EBITDA has been calculated consistent with the manner in which it is defined in Snap's periodic reports filed with the Securities and Exchange Commission. Adjusted EBITDA has been reconciled for the nearest applicable GAAP measure in this presentation and in Snap's earnings release, which is available under the Press Releases tab of the Investor Relations section of Snap's website, [snap-interactive.com](http://snap-interactive.com).

With that, I'll turn the call over to Alex Harrington, Snap's Chief Executive Officer. Alex, the call is yours.

**Alex Harrington:**

Thank you, Michael, and thank you all for joining us on today's call. I encourage you all to access the Q1, 2017, earnings call presentation available on our website: [www.snap-interactive.com](http://www.snap-interactive.com). As Michael mentioned, it's on the homepage if you scroll down on the left-hand side of the page.

Those of you following along, we'll start on Slide 4. Today we're going to review Snap's strategic mission and progress towards that mission and then turn to the financial performance for the quarter.

Turning to Slide 5. As we've previously shared, our mission over the next three years is to enhance the Company's position as a leader in social products, delivering live video experiences in a mobile world. We see live video as a high growth medium that is having a disruptive effect on social networking and other areas of the consumer web. We believe it is one of the biggest areas of Internet innovation right now and fortunately, we're approaching it from a history of having invested 15 years in a live video social networking platform.

Page 6, outlines the growth properties of video streaming, and live video, in particular. As many of you are aware, online video is becoming a dominant way of consuming web content with Cisco estimating that it will account for 80% of all Internet traffic by 2019. For this reason, Mark Zuckerberg and other influential experts have identified video as the next Internet megatrend, on par with the growth and disruptive effect of mobile technology over the last decade. With the overall video streaming market, within the video streaming market is a large segment dedicated to live video, which is our particular focus.

The growth in this market segment is astonishing. In China, we're seeing a \$2.9 billion live streaming market that started at zero only three or so years ago and grew by 180% in the last year, and finally, it's expected to grow by more than 100% again in 2017.

Within this fast-growing market, some of the leaders are growing revenue annually by 500% or more. This phenomenon is catching on globally with market leaders like Twitter and Facebook making significant commitments to live video in the last year. NBC is making \$50 million bets (phon) on pre-revenue live video start-ups like House Party. It's all happening right now. We believe we're well-positioned to capitalize on these growth trends.

Moving on to Slide 7. Live video experience over the web and mobile have long been a core focus of the Company, and we've established a commercial and technology platform that we believe will springboard us into a strong market position. It is very hard to deliver high quality live video over the web and on mobile. The Company's three prominent social video—video

social networking products led by Paltalk, have been accomplishing that very thing for over a decade and presently hosts one of the world's largest collections of live video community. The underlying proprietary technology can host millions of video-enabled users, and is supported by tech talent centers that we've cultivated in the U.S., Russia, and India, and importantly, is grounded in an intellectual property base of 25 issued patents.

On the commercial side, we have significant consumer reach across our business portfolio with approximately 50,000 new users signing up every day and over 180,000 subscribers as of March 31, 2017. With this global access to consumers seeking a live video experience plus a business with a solid debt free balance sheet, with Q1 showing positive cash flow from operations, we believe our business platform gives us a competitive advantage to grow and pursue new opportunities in the exciting live video market. On Slide 8 we outline how we approach that.

Presently, our live video social networking apps have very similar capabilities to live streaming entertainment apps, and we envision both extending the capabilities of our existing product as well as launching new applications to address this opportunity.

We're also developing a new mobile first video chat app, as we believe this will be increasingly integral to the digital communication trends between friends and family members, going forward.

Along with that, we also see convergence of dating and video playing out in the medium to long term, and we're addressing that by recently launching an integration between Paltalk and FirstMet, our principal dating apps. As we progress with new initiatives, monetization enhancing projects continue in our core product. M&A remains central to our strategy as well in order to rapidly build scale and strategic market position, and our public company status makes us a favorable suitor in the fragmented video and social discovery demand.

Turning now to the present quarter on Slide 9. We're proud of our recent accomplishments. Wrapping up most of the significant merger integration matters and enabling us to focus on strategy and execution.

On the merger integration side, we terminated one of our office leases and consolidated our office headquarters in April 2017. We collapsed parallel activities, like finance, marketing, and customer service into single departments. These and other initiatives helped reduce our cost of operations, which we continue to manage downward.

We've also firmed up the Snap Leadership Team by formalizing the Company's contractual relationships with Eric Sackowitz as Chief Technology Officer and Arash Vakil as Chief Product Officer. Eric and Arash are accomplished executives who're central to execution of our growth plan.

On the strategic side, we've already made significant progress. In Q1, 2017, we launched an innovation lab to shepherd the new live video projects mentioned before, including our product development and live streaming and mobile first live video social networking. Separately, we were pleased to beta launch a new product 50more, which is a dating product targeted at the fast-growing market of users 50 years and older. Collectively, we believe these initiatives are material progress towards our corporate mission.

With that, I'll hand it over to Judy for the financial update.

**Judy Krandel:**

Thank you, Alex, and thanks everyone joining us today on the call. Before I begin, I'd like to remind everyone that on October 7, 2016, we completed our previously announced merger with AVM Software. The merger has been accounted for as a reverse merger under the acquisition method of accounting for business combinations with AVM being treated as the accounting acquirer of Snap. Accordingly, the financial results I will discuss reflect the operations of AVM for the first quarter of 2016 and the operations of the post-merger company for the first quarter of 2017.

I'd like to begin reviewing Snap's financial performance for the first quarter. Turning to Slide 11, we outline our financial highlights that I will now get into in more detail.

As shown on Slide 12, total revenues for the first quarter of 2017 were \$6.2 million, up 36.1% from the same period last year. The increase in revenues from the prior year, were predominantly due to the contribution of pre-merger Snap, which as we've just discussed, closed in October.

Revenues for the quarter were comprised of \$6.2 million from subscriptions and \$495,000 from advertising. Subscription revenue grew 41.8% from the prior period, also due to the contribution of pre-merger Snap. This was offset somewhat by a decline in subscription revenue of approximately 6.3% from products attributable to pre-merger AVM. We believe that this decrease was driven in part by an anticipated decrease in new transactions in the Paltalk product as we shift management attention and resources to new, higher growth opportunities in the live video market.

Turning to Slide 13. Adjusted EBITDA in the first quarter was a loss of \$214,000 as compared to a gain of \$638,000 in the prior year. Our Adjusted EBITDA during this quarter includes a one-time lease cancellation fee of \$225,000 from the merger integration efforts. Cash flow from operations was \$943,000 as compared to \$408,000 last year.

Moving on to Slide 14. As of March 31, 2016, we had \$5 million in cash and cash equivalents and zero debt. Cash increased from December 31, 2016, by approximately \$860,000.

Snap continues to be in one of the strongest financial conditions that it has been in for many years. We're realizing revenue growth and cost efficiencies as a result of the merger. Our cash flow from operations is positive and we have approximately a \$4 million net operating loss carry forward, which should allow us to minimize tax expense for the foreseeable future.

As Alex mentioned, we certainly plan to invest in additional people and resources to grow our business but we will continue to focus on self-sustainability, profitability, and cash flow.

With that said, I'd like to turn the call back over to Alex.

**Alex Harrington:**

Thank you, Judy. In closing and before we open the call for questions, I'd just like to reinforce our excitement. Our investments thesis is simple; we're in a large market with explosive growth potential, we have a technological, commercial and financial platform that we believe gives us a

competitive advantage in this exciting market, and we're in the process of expanding our existing businesses and building new businesses to capture this growth wave, but also have a successful track record of leveraging acquisitions for a strategic and financial springboard. For investors who want to place a bet on Internet live video, to our knowledge, we're the only public company that has made it a core focus. With that, I'd love to turn it over to questions.

**Operator:**

Thank you. If you'd like to ask a question, please signal by pressing star, one on your telephone keypad. If you're using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Once again, that's star, one to signal for a question, and again that's star, one to signal for a question at this time. It appears we have no questions on the phone and with that, that does conclude today's conference call. We thank you for your participation.