



Snap Interactive, Inc.

Second Quarter 2017 Earnings Conference Call

August 8, 2017

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

Mike Cole, *Investor Relations, MZ Group*

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 and welcome to the Snap Interactive Second Quarter 2017 Earnings Conference Call. Today's conference is being recorded.

At this time, I would like to turn the conference over to Mr. Mike Cole with Investor Relations. Please go ahead, Sir.

Mike Cole:

Thank you. Good afternoon. Welcome to the Snap Interactive Second Quarter 2017 Earnings and Business Update Call. Again, my name is Mike Cole and I'm with MZ Group Investor Relations for 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 would like to remind everyone that earlier today, we issued a presentation to accompany this call. This presentation can be accessed on the Company's website, 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 Risk 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 also available under the Press Releases tab of the Investor Relations section of Snap's website, again, 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, Mike. Thank you all for joining us on today's call. As Mike said, I encourage you all to access the Q2 2017 Earnings Call Presentation available on our website, www.snap-interactive.com. As Mike mentioned, it's on the homepage if you scroll down on the left-hand side of the page.

Today, we're going to review the quarter from the standpoint of Snap's strategic mission and progress towards that mission, and then turn it over to Judy Krandel, our CFO, to highlight the financial performance for the quarter.

Starting on Page 4 of the presentation, as we've previously shared, our mission over the next three years is to enhance the Company's position as a leader in delivering live video social experiences in a mobile world. Through our products Paltalk, Camfrog and Tynychat, we host one of the world's largest collections of video chat communities. Through these services and our interactive dating properties, millions of users per month across 180 countries meet people, share common interests and find entertainment.

Live video over web and mobile is the basis for the Company's most innovative product and we continue to see live video as one of the most exciting, high growth consumer technology trend that is having a sweeping disruptive effect on a broad spectrum of social and entertainment application. We are solely dedicated as an enterprise to innovation in interactive live video, and staying at the vanguard of this emerging medium, we believe, positions the Company well to create Shareholder value.

On Slide 6, we highlight some disruptive trends that we see live video on the web and mobile creating new market opportunities. There are three areas that I will highlight—digital video entertainment, messaging apps and interactive dating.

First, digital video entertainment such as crowdfunder—the crowdfunder variety found on YouTube is typically static and pre-recorded. Despite being native to the Internet, it has never been truly interactive. An emerging form of live video entertainment called live streaming, which is already a \$6 billion market in China, is having a disruptive effect as it enables video broadcasters to interact in real time with their audience. This live connection to the audience creates higher fan engagement and enables new forms of programming not previously imagined in the old TV style, static content model.

The second area is messaging app. Messaging apps have taken the world by storm in the last five years with users creating nearly 6 billion accounts. The capability of interacting with a group of friends or family over live video could potentially overtake the traditional mode of communication offered by these apps, namely text and emojis, or at least create a parallel and complementary communication channel with similar market penetration potential. Why would a group of family members use an app to type when they can talk and see each other through live video?

The third disruptive effect of live video is in the interactive dating industry, a field that we know well. We believe there's an opportunity to provide a superior level of service by allowing interactive dating users to connect by a live video chat, offering a better way of connecting virtually to discover potential romantic connection.

Page 7 of the deck highlights how we anticipate addressing each of these opportunities, in each case introducing disruptive products into large, multi-billion dollar markets. We're intending to launch our live streaming entertainment service, initially built on top of Camfrog, in Q3 2017. We're also in testing and soon launching a group video chat service which has similar viral (phon) growth potential and utility as the messaging apps that we have—that have been so successful, and we are underway with integrating live video into dating.

We believe Snap is well positioned to incubate these potentially high growth live video business opportunities. We have 15 years of experience developing high performance video applications. We also have a large user community with tens of thousands of new users signing up every day. With a debt-free balance sheet and revenue from core businesses, we have been able to fund the development of these opportunities with existing cash.

So to encapsulate our business strategy, we're pursuing innovation in live video built on top of and with the underlying technology of our existing successful video social networks and dating services. Together, monetization (phon)—enhancements to our existing business and also strategic M&A opportunities, these three dimensions we believe offers through Snap, a compelling investment thesis (phon) and value creation vehicle.

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

Judy Krandel:

Thank you, Alex and thanks to 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 second quarter of 2016 and the operations of the post-merger Company for the second quarter of 2017.

I'd now like to begin reviewing Snap's financial performance for the second quarter, of which you can find the highlights on Page 11.

Turning to Page 12, total revenues for the second quarter of 2017 were \$6.2 million, an increase of 43.3% from the same period last year. The increase in revenues from the prior year were predominantly due to the contribution of pre-merger Snap. Revenues for the quarter were comprised of \$5.7 million from subscriptions and about \$0.5 million from advertising.

Subscription revenue grew 48.3% from the prior period, also due to the contribution of pre-merger Snap. This is offset somewhat by a decline in subscription revenue from products attributable to pre-merger AVM. We believe that this trend 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, as Alex addressed.

We also experienced a decline in the Middle East where a decline in monthly active users and a change in the contractual arrangement with our primary payment processor in the region led to reduced paid usage (phon). We've since brought on additional resources to address the problem and are re-examining our relationship with this payment processor.

Turning to Page 13, Adjusted EBITDA in the first quarter was a loss of \$516,000 as compared to a loss of \$316,000 in the prior year. We've realized positive Adjusted EBITDA from the core business, excluding expenses to support strategic growth business opportunities in our Innovation Lab. These expenses are supporting new applications, which in their pre-launch state, generate no revenue.

Cash flow from operations were \$621,000 as compared to a loss of \$105,000 last year, as we continued to manage our cash expenses prudently.

Turning to Page 14, as of June 30, 2017, we had \$4.6 million in cash and cash equivalents and zero debt. Cash increased from December 31, 2016 by approximately \$452,000.

On Page 15, I would like to address Phase II of our merger integration initiative. We are focused on optimizing our operations to fund growth investments in order to generate higher incremental profits from those efforts. We completed Phase I of our efforts which included organizational restructuring, real estate and vendor consolidation, and standardizing reporting systems.

We have now defined and began implementing Phase II efforts which should be mostly completed by year-end. Through this initiative, we're working to optimize our marketing spend on our highest ROI projects and continuing departmental consolidations. We are also broadening our efforts to unify our technology platform in order to build a more advanced and flexible architecture. We believe the cost savings from these efforts, once fully realized by year-end, will allow Snap to fully fund our growth plans with cash from operations.

Snap continues to be in a strong financial condition; we're realizing revenue growth and cost efficiencies as a result of the merger. Our cash flow from operations is positive. We have approximately a \$4 million net operating loss carryforward 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 like to reinforce our excitement. Our investment thesis is simple. As a player in live video social application, we believe 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. We're in the process of expanding our existing businesses and building new businesses to capture this growth wave.

In addition, we have a successful track record of leveraging acquisition for strategic and financial springboard and are actively seeking M&A transactions. 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 their core focus. With that, I'd love to turn it over to questions.

Operator:

Thank you. Ladies and gentlemen, if you'd like to ask a question, please signal by pressing star, one on your telephone keypad. If you are using a speakerphone, please make sure that your mute function is turned off to allow your signal to reach our equipment. Again, press star, one to ask a question. We'll pause for just a moment to allow everyone an opportunity to signal for question.

As a reminder, that is star, one if you have a question at this time. We'll pause another moment. At this time, we do not have any questions in the queue. So at this time, we would like to thank everyone for their participation. That does conclude our conference for today. You may now disconnect.