

Snapchat Seed Memo

Lightspeed Venture Partners

Team JL/BE

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BUSINESS DESCRIPTION & TEAM

Snapchat is a seed stage mobile photosharing/communications company based in Palo Alto. The company builds an iPhone app that allows users to send annotated photos to each other. The photos are visible to the recipient for only a short period (3-10 seconds is typical) before being deleted. Although it cannot prevent screenshots being taken, it alerts the sender if a screenshot is taken. The app is very clean and easy to use and optimized for speed to send a picture.

The company is showing very high engagement and retention relative to other mobile apps that we have seen. The company has 90k daily active users off of a base of around 180k installs, with retention rates over 50% after 90 days. This compares to sub 10% retention for most apps, including other photo sharing and social networking apps. Usage is also very high; 30m snaps have been sent in the last 3 months, with a median of 6 sessions per day and 18 sessions a week, relative to 1.7 sessions per day and <5 sessions a week for other photography apps.

The app has shown steep growth since January, but absolute usage numbers are still low. Usage is primarily among high school and college students, skewing quite female (75%), and is currently concentrated in certain geographies, suggesting that growth is coming from word of mouth. Core use case seems to be flirting/friendship/keeping in touch with close friends. The ephemeral nature of the photography has encouraged people to send silly or mundane photos that they would not want as part of a permanent record. Examples of photos can be found here <http://statigr.am/tag/snapchat>

Evan Spiegel is one founder; he is a senior at Stanford at the D school. The other is Bobby Murphy who graduated Stanford with a BSc in CS in 2010 and is currently a developer at Revel Systems. Bobby will work full time on Snapchat post funding, and Evan will become full time post graduation.

The deal team is enthusiastic about the high usage and retention for a photo sharing app. The app may have backed into the Path use case for sharing with close friends. We recommend making this seed investment to watch for continued user growth which could create a popular social mobile app company.

FINANCING

Lightspeed has the opportunity to lead a \$500k convertible note financing with a cap of \$4.25M. Lightspeed will do \$485k of the round, with \$15k allocated to the investment fund of a local school, which sourced the opportunity for Lightspeed.

SEED FINANCING OBJECTIVE

Growth to 1m Daily Active Users. Launch an Android product. Potentially launch video.

HIGHLIGHTS & RISKS

Highlights	Risks
<ul style="list-style-type: none">• Terrific retention and usage rates• Strong growth driven by organic virality• Mobile photo sharing is a hot space	<ul style="list-style-type: none">• User traction still low on an absolute basis