



October 6, 2026

Dear Evan Spiegel, Bobby Murphy, and the entire SNAP Board of Directors,

Blue Duck Capital (“Blue Duck”) is a Manhattan Beach, California-based investment manager that holds a long position in SNAP Inc. (SNAP). As investors in the Company, we believe the stock is profoundly inexpensive relative to the opportunity set, and believe that raising dedicated capital around SNAP’s Specs asset would unlock significant upside.

Just as Evan is passionate about making computing more human – a noble and ambitious endeavor to help treat our chronic (and inhuman) screen addictions, we are passionate about the straightforward steps that SNAP management and the Board can take to unlock substantial shareholder value today. We believe these steps will not only result in a much higher stock price, but they will also drastically raise the odds that Evan’s ambitions for Specs are achieved.

To put a finer point on it, neglecting to take the actions outlined here at this juncture would likely result in more of the same: a deeply depressed share value, which limits strategic optionality, hurts employee morale and retention, and lowers the chances of reaching ambitious objectives for what Specs can be. Inaction here also obfuscates real, tangible fundamental progress on the core Snapchat advertising and subscription business, resulting in hard decisions (such as layoffs) and work heretofore going uncredited by an always discerning market.

First, the Specs Launch Event on September 16 demonstrated remarkable technology. Rich Greenfield of LightShed Partners, and a recent critic of management, called the underlying tech “insane” after attending the event and demoing Specs. Steven Sullivan, a smart glasses enthusiast who runs a YouTube channel dedicated to reviewing smart glasses, said that Specs “leave the Meta Display Glasses in the dust.” We agree that the potential is enormous. Just consider the learning and education possibilities alone. The adage is that to truly learn a new language one needs to visit the country and immerse oneself. But with Specs, the hands-on real-world experiential learning process can occur from anywhere – or even be used as a companion while on destination abroad to accelerate the learning journey. Or, consider a virtual physics lab from home, or an in-game coach while on the athletic field, or even a training tool for tradesmen who can now learn on the job as they go.

The positive qualitative reviews following the event are bolstered by the depth of Snap’s IP: the company says it has filed more than 7,000 patents across a decade-plus of AR development.

With that said, the current ~\$2.2k price tag, somewhat controversial form factor, and still nascent (but growing fast) practical applications are unlikely to produce a mass market adoption phase over the next 1-2 years, at least. In the meantime, the competition will not rest, as we’ve seen before many times, with notable examples of SNAP innovation being quickly copied by larger competitors.

The good news is there's an elegant solution which we believe would result in: 1.) a materially higher stock price and 2.) making Evan's ambitious goals for Specs much more likely to be achieved.

We propose that following the expected commercial launch this fall, SNAP publicly move to raise external dedicated Specs capital - either from a syndicate of VC tech investors, or a strategic partner.

One illustrative example is Space Exploration Technologies (SPCX), which could bring AI and connectivity synergies, such as an AI-assistant relationship with xAI to help fill the gap left by the ended Perplexity agreement, and a possible Starlink tie-in (recognizing Verizon (VZ) is already a named cellular partner).

Assume SNAP can sell 20% of Specs for \$1B, a \$5B post-money valuation, which would leave SNAP shareholders with 80% of the Specs equity valued at \$4B. A \$1B raise would fund roughly two years of Specs spend at the current run rate (\$500mn per year, estimated) without diluting the SNAP share count (SNAP holders would instead own 80% of Specs) given that Specs capital would no longer require sourcing from SNAP cash flows.

Precedent suggests a \$5B mark for a category-defining hardware platform is well within the range of what investors have paid. In 2016, Magic Leap raised \$793.5 million at a \$4.5 billion post-money valuation before it had shipped a product. Alphabet has repeatedly brought outside capital into Waymo while retaining control, most recently a \$16 billion round at a \$126 billion post-money valuation in February 2026. In 2021, SNAP itself paid more than \$500 million for WaveOptics, a waveguide supplier that had raised only about \$65 million, to obtain one component of the optical stack now inside Specs.

Specs launches this fall with hundreds of Lenses already built alongside a parent that generates free cash flow and multiple blue-chip partners that were named at the launch event. If a single component commanded that price, we believe the full stack merits serious consideration at \$5B. Specs appear to be far ahead of where Magic Leap was on all notable metrics such as weight, compute, price, and target markets. We should also point out that core SNAP has nearly one billion monthly users and half a billion DAUs, which serve as a strategic distribution advantage once a cheaper than \$2.2k version of Specs is ready to ship. If \$1B in fresh capital can succeed in lowering the Specs ASP from \$2.2k to \$1k, and if just 1% of Snapchat DAU's buy at that lower price point, we are at ~\$5B in annualized Specs revenue just on the hardware alone, meaning our proposed \$5B valuation is just 1x plausible revenues.¹

A mark of \$5B post-money will allow Wall Street to value SNAP on a sum-of-the-parts basis (SOTP). What that means is that every investor will do that math and back out \$4B from SNAP's current (and already punitive) enterprise value of ~\$10.3B (net debt of roughly \$0.84B: \$3.5B of notes less \$2.66B of cash and marketable securities at June 30). Investors will see that SNAP Core (ads + other/subs) is on a trajectory to earn close to \$2B in adj ebitda in 2027 (our estimate), versus an annualized run-rate of roughly \$0.9B off Q1's \$233M. This would suggest that the core SNAP business is being valued by the market at just 2-3.5x ev to 2027 estimated ebitda (and roughly 5x even if Specs is given no value at all). We've never seen a stock that cheap where the business is still growing topline in the mid to high teens and has nearly one billion monthly users engaged.

¹ This implies about 5mn Specs units sold. Essilor Luxottica is expanding production capacity for Ray-Ban Meta glasses to 10mn annually, which we assume has a blended ASP of \$350-450, underscoring the need for Specs to evolve into a lower priced product than the current \$2.2k. Specs is ahead in terms of true spatial AR, while Meta glasses are a narrower, cheaper, audio-first product.

A plausible result of this transaction is that the market would re-rate core SNAP toward 8-10x adj ebitda², finally crediting management for what has been genuine progress and growth in both revenues and free cash flow, along with recent (but ignored by the market) incremental discipline around stock-based compensation issuance net of share-buybacks (Class A shares outstanding fell about 2% in the first half of 2026, from 1,457M to 1,428M).

Add back \$4B (80% x \$5B) to core SNAP enterprise value of \$20B (10x \$2B) and we arrive at a \$24B enterprise value, or roughly \$23B of equity after ~\$0.84B of net debt: about \$13.69 per share on ~1.69B shares outstanding, or about \$12.22 including ~205M unvested RSUs. The table below shows how that moves with the Specs mark and the multiple the market assigns to core.

Implied SNAP share price by Specs mark and core multiple (2027E core adj. EBITDA of \$2.0B; first figure on ~1.69B shares outstanding, second including ~205M unvested RSUs/RSAs)

Specs post-money mark	Core at 5x	Core at 8x	Core at 10x
\$2B (SNAP stake \$1.6B)	\$6.36 / \$5.68	\$9.91 / \$8.84	\$12.28 / \$10.95
\$5B (SNAP stake \$4.0B) – the letter’s case	\$7.78 / \$6.94	\$11.33 / \$10.11	\$13.69 / \$12.22
\$8B (SNAP stake \$6.4B)	\$9.20 / \$8.21	\$12.75 / \$11.37	\$15.11 / \$13.48

Illustrative. Implied price = (core multiple x \$2.0B + 80% x Specs post-money mark – ~\$0.84B net debt) ÷ shares. Net debt: \$3.5B of notes principal less \$2.66B of cash and marketable securities (June 30, 2026). Shares: Class A + B + C outstanding as of July 30, 2026. Excludes out-of-the-money convertible notes (conversion prices \$22.18 to \$89.25) and any Specs-level governance or dilution. At today’s ~\$10.3B enterprise value the same math implies roughly \$5.00 to \$5.60 per share. Adj. EBITDA excludes stock-based compensation, which ran about \$1.05B annualized in the first half of 2026.

The risk of status quo and of inaction raising external Specs capital is likely more of the same treatment by the market, which has refused to give SNAP equity credit for recent strong growth in cash flows and demonstrated incremental discipline on operating costs. A share price that continues to languish in the mid-single digits hurts employee morale, diminishes equity related currency, and of course, begets more pain and frustration from long suffering SNAP shareholders. It’s no secret that Evan has high-hopes for what Specs can be. In some sense, he envisions a world where Specs are displacing our phones and computers for a lot of computing tasks. Achieving this will not be easy. Achieving it with a stock price that’s languishing down 93% over the past five years will be considerably harder, and we think that reality belongs in the strategic calculus.

On the other hand, a successful process to raise external Specs capital would change the narrative on SNAP overnight. It endows the company with needed cash to build on the remarkable tech already in motion, allows for true “SOTP” analysis to be conducted by Wall Street, and we believe would lift the SNAP share price meaningfully, which benefits all stakeholders.

² Pinterest (PINS) trades at approximately 6.2x NTM ev/ebitda and Reddit (RDDT) trades at approximately 14x based on Bloomberg estimates.

We believe Evan is a creative genius and that the time is now to apply the same creative skillset toward executing on a tangible and relatively simple playbook to unlock significant trapped value in SNAP equity today.

Sincerely,

Alex Beinfield

CIO

Blue Duck Capital Partners

Important Information

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This letter contains Blue Duck's estimates and forward-looking statements, including its sum-of-the-parts analysis, implied share prices, its valuation of Specs as a standalone business, and the potential outcomes of an external Specs capital raise. These rest on assumptions Blue Duck believes are reasonable but are inherently uncertain and may prove incorrect. Actual outcomes may differ materially, and Blue Duck undertakes no obligation to update them.

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