SNIPP!

Frequently Asked Questions from Investors

FAQ July 2016 Edition

1. How are Snipp revenues recognized? Recent press releases suggest longer term campaigns, so are the revenues recognized in the quarter these contracts are signed or over multiple quarters?

We expect to have a mix of contract types as a normal course of business in the future, with "one-off" business recognized in the quarter in which it is completed and long-term contracts recognized incrementally across the term of the contract, which means the revenue would be recognized across multiple quarters. A lot depends however on how the contract is structured. In some cases clients pay us a set-up fee, which we would typically recognize in the quarter the contract is signed; in addition to a monthly recurring fee, which we would recognize over the term of the contract across multiple quarters. In other cases the entire contract value is delivered evenly over the length of the contract, so we recognize the value of the contract equally across multiple quarters. In all cases we get payments over and above our agreed upon contract value for any incentives we provide that are utilized by our customers during their promotions. These are charged as either a pay per unit fee as incentives are distributed or a flat fee where we insure the performance of the program at a fixed price to the client.

2. It appears the Hip Digital acquisition wasn't accretive to earnings, what did Snipp gain besides significantly higher overhead?

Hip Digital was not initially accretive to earnings, but it gave Snipp three very important attributes in the form of a set of incredibly talented and creative employees, new customer relationships, and an incentive platform that included music contracts with the major labels, all of which enhance our future prospects. Song downloads are a highly desirable reward offering for consumer brands. Building out relationships and licensing contracts in the music industry is a daunting, multi-year task, so adding that capability to our portfolio is significant. As with any acquisition it takes time and costs money to integrate two businesses and we have successfully done that. While the revenue projections from the acquisition were lower than originally anticipated, Snipp was required to issue fewer shares as part of the acquisition terms for Hip Digital (as a result of the lower revenue), thereby lowering the final cost of the acquisition.

3.The company currently employs over 120 people, isn't that a lot for a $10 million revenue company?

We are a technology company on the cusp of major growth, but we are also international, with employees on three continents. Many of these employees are in lower-cost geographies, so we are able to employ a larger number of employees at a lower cost, allowing us to maintain a more robust engineering team. In addition, we have been investing in our people and processes in order to support continued growth. A company that ramps 3x from 2014 to 2015 has to invest in its processes and people in order to get to the next level. In 2016 that has been the primary use of the capital we raised. Also, under the terms of our acquisitions, we were required to retain certain employees through Q2 2016. Since the close of Q2 2016 we have been able to release some of these employees.

4.When should Investors expect the expansion in headcount and related expenditures to produce significantly higher revenues?

We expect growth to begin now. We spent the first few years of our existence in development mode and the last few quarters cross-training our sales teams post-acquisition, with additional refocusing on longer-term, relationship-driven contracts. These high-margin long-term contracts are the result of gaining the trust of clients, so signing those types of deals can be considered a long-lead-time item in terms of sales cycles. As we season our sales team with additional qualified members we expect to create an even more robust pipeline of potential long-term customers. To put this potential traction in perspective, in Q1 2015 we had 5 salespersons, compared to 17 today.

5. What is the current 'burn rate' of the Company? How much does Snipp spend per month compared to revenues realized?

We will update investors on our burn rate on the upcoming earnings conference call for Q2 2016. As we have previously stated, our costs will drop significantly compared to Q1 2016, because we were able to release some of the acquired personnel we were contractually required to retain through Q2 2016.

6. 2015 revenues were $12 million but the Company's CEO, Atul forecasts only $10 million for 2016, isn't this a 'growth story'? What happened?

That projection simply recognizes the reality that we are signing more long-term contracts, and the revenue from those contracts will be recognized over many quarters, as opposed to being recognized fully in the quarter the contract is signed. So, much of the growth we are experiencing is being hidden as it is spread out over many quarters and potentially years, depending on the length of the contract. As a result, Snipp's revenues may appear to be slowing during the early quarters of this transition, but should become steadier and more consistent in future periods as these contracts layer on top of each other. To help gauge growth, the Company will provide a sales bookings number that shows the total dollar amount of the contracts signed each quarter, regardless of when the revenue will be recognized. This is the number that investors should use to gauge our growth and for year-over-year comparisons.

7. Snipp's website lists logos from campaigns with Manufacturers and Retailers, what percentage of these legacy Clients have become revenue generating repeat customers?

Long-term contracts are a relatively new part of our revenue, only reaching double digit percentage contribution (15% of total revenue) in Q3 2015. Our goal is to have recurring revenue constitute 60% of total sales by 2017. Currently, about 40% of our client base is generating recurring revenue.

8. Snipp is currently engaged in several software development projects including analytics, isn't this a big risk? When should Investors expect to see revenues from these expenditures?

This is actually a very low-risk proposition. A $billion+ industry has been built around data analytics in the advertising and promotions space, so this is familiar ground for brands. We plan to structure our product in a way that will be very useful to brands, because we can capture a different subset of data that can't be found in other analytic services. As our database grows, it becomes far more valuable. We intend to begin testing a data analysis offering in late 2016. We believe this will provide another growth engine for the Company.

9. Atul stated on several occasions the company had passed a significant milestone of "Cash Flow Positive" only to report a massive loss in Q1 of 2016. When does the company expect to regain CFP and sustainability?

We made a decision to accelerate the integration of our sales teams (Hip Digital & Snipp) during late 2015 and early 2016, which impacted our sales efforts for several months and delayed our expectation of reaching CFP, however we believe this extra effort will benefit us in the second half of 2016. Our current goal is to be Cash Flow Positive in late 2016.

10. Recently, company Executives purchased Snipp stock, should Investors interpret this as bullish?

We hear many different theories on our motivations and plans, but one message that should come through from these purchases is the simplest of all -- we believe strongly in the future of Snipp and the potential to grow Snipp into a very large company. We have a rare opportunity in our business, to revolutionize the way that brands approach some of their most important tasks – promotions and loyalty. Investors should step back and consider the following – Snipp is just a few quarters into its revenue ramp; we have barely begun to penetrate any of our customers; we are still creating new products and services; and we fill an unmet need in a multibillion $ industry. To us, this is just the beginning and the true value of our company is not yet reflected in our current stock price.

11. What is the current average campaign size? What factors determine the size of campaigns? How many campaigns does/can the Snipp platform support simultaneously?

Our campaign size has grown in each of the last three years, averaging $7,796 in 2013, $25,000 in 2014 and $40,000 in 2015. We expect this upward trend to continue in 2016.
Currently we believe we are supporting 75+ simultaneous campaigns and do not see a theoretical limit to what we can support All of our programs are highly scalable.

12. Song downloads sound like an incredible opportunity, how does Snipp position itself as the go to reward company in this space?

Having song downloads in our portfolio is a tremendous advantage, because the process of signing labels for song rights involves a long and arduous process. As a result, not everyone can offer songs as incentives to their customers. Song rights round out our collection of premium rewards, giving our customers a deeper range of potential incentives and providing us with a competitive advantage. This is very important for our customers (brands), who seldom repeat their promotions. Snipp maintains and continues to grow its large portfolio of digital rewards, giving clients a greater variety of choices. More details can be found here: http://www.snipp.com/rewards/

13. At what capacity is the current staff being utilized? 50%?

We have invested in an engineering team that has the ability to scale with our revenues, so very little additional investment will be needed until we get to a range of $50MM in revenues. All new investments are being made to grow our Sales teams.

14. What differentiates the Sales Team today from the pre cross-training initiative? Is the sales cycle longer because of technology integration?

The Sales team today has at its disposal a broader set of products that it can sell than before our acquisitions. Prior to 2015 we had only simple receipt processing based programs that were enabled on our platform. This allowed brands to easily sample our programs and get a sense of the data from running purchase-based promotions. As we completed the integration of the rewards and loyalty platforms we acquired, it enabled our sales team to sell more in-depth brand loyalty programs that are of higher value and longer duration along with the shorter campaigns we have traditionally sold.

15. How is Snipp's perception impacted by Senior Executives selling shares near the all-time low?

Senior management executives have been buying the stock. Please refer to the insider filings for the last six months.

16. Why did the Company raise money at such a low valuation?

Shares sold in our recent equity offering were for business expansion purposes, as our customers wanted to see Snipp have a stronger balance sheet before signing long term contracts. This is particularly important in terms of our client base, which consists almost entirely of Fortune 500 companies.