



**Snap Interactive, Inc.**

**Proforma Earnings in Result of Merger Conference Call**

**December 19, 2016**

## CORPORATE PARTICIPANTS

**Michael Pritchard**, *General Counsel*

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

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

## CONFERENCE CALL PARTICIPANTS

## PRESENTATION

### **Operator:**

Good day, and welcome to the Snap Interactive Proforma Financial Highlights and Strategy Update Call. Today's conference 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 Proforma Financial Highlights and Strategy Update Call that is being hosted in connection with the closing of Snap's recent merger with A.V.M. Software, Inc., doing business as Paltalk. Again, my name is Michael Pritchard and I'm with Haynes and Boone, outside counsel to Snap.

Earlier today, we issued a presentation to accompany this call. The presentation can be accessed on Snap's website, [snap-interactive.com](http://snap-interactive.com), under the Events & Presentations tab of the Investor Relations section, or by following the link on Snap's homepage. In addition, certain information in today's call is based on the pro forma financial statements of the post-merger combined Company and the historical financial statements of Paltalk, complete copies of which are available as part of Snap's Form 8-K Amendment that was filed with the Securities and Exchange Commission earlier today and which is available on the Securities and Exchange Commission's website, [www.sec.gov](http://www.sec.gov).

I'd like to inform everyone in attendance today that certain statements made during this 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 operations following the completion of its merger with 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 expectation. 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 and Adjusted EBITDA has been reconciled to the nearest applicable GAAP measure in the presentation that accompanies this call. With that, I'll turn the call over to Alex Harrington, Snap's Chief Executive Officer.

**Alex Harrington:**

Thank you, Michael, and thanks to all for joining us on today's call. I encourage you all to access the pro forma and strategy results presentation available on [www.snap-interactive.com](http://www.snap-interactive.com). As Michael mentioned, it's on the homepage, if you scroll down, the left hand side of the page. Though our merger was closed in October, up to this point we've only been able to release a limited amount of information about the post-merger Company.

Today, we're going to discuss the highlights of the pro forma combined financial statement and the plans and prospects of the combined Company looking forward. Now, if everybody has the deck in front of them, we're going to flip forward to Page 5.

So, as Michael mentioned this morning, we filed an 8-K/A and a press release with detail on the historical financials of A.V.M Software and doing business as Paltalk, which is our merger partner, as well as the pro forma combined financial statements related to our merger that closed on October 7. Here are some of the top level highlights: on a pro forma basis, the combined Company reported 2015 revenue of \$32.1 million and cash of \$5.3 million as of September 30, 2016. The combined Company brings together two overlapping areas of the social internet: video chat and interactive dating, wherein both cases, the user's most common intention is to meet new people. Bringing Paltalk and Snap together establishes a broad portfolio with many ways to grow the existing franchise as well as launch new business opportunities. Also important is the Company's patent portfolio which we expect will be a source of licensing income in the future.

Moving on to Slide 7, we review some of the corporate aspects of the merger. Though Snap acquired Paltalk in a stock-for-stock transaction and is the legal acquirer, you will note in the pro forma financial statements that for accounting purposes, Paltalk was treated as the acquirer based in part on the fact that Paltalk's shareholders own a majority of the successor Company. As mentioned before, an important element of the merger was the payoff of Snap's restrictive and expensive \$3 million convertible note which has left the combined Company debt-free.

With respect to governance, the successor Board of Directors is composed of two members from the Snap pre-merger Board, three members from Paltalk's pre-merger Board, and two newly appointed Directors. We now have seven total Directors with four independents. The Chairman of the Board is Jason Katz, Founder and CEO of pre-merger Paltalk.

Next on Page 8, we share a description of the two newly combined businesses. Here are the two companies side-by-side. If you've been following Snap, you're familiar with Snap's flagship interactive dating service FirstMet, with its database of 30 million users. Paltalk operates live video chat communities on desktop and mobile that facilitates virtual face-to-face interaction between individuals and groups. Collectively, there are four established products differentiated mostly by user demographics and geographic focus.

In 2015, Paltalk contributed nearly two-thirds of the combined Company's annual revenue. Also exciting is the combined user database estimated to exceed 250 million users which present attractive future commercial opportunity to seed new products and cross-sell existing.

Moving on to Slide 9, we talk a little about our Executive Team and though we've covered our Executive Team in a past presentation, I want to reiterate how much more management firepower we now have as a post-merger Company. Jason Katz and Cliff Lerner, the founders of Paltalk and Snap respectively, in their present executive roles, are both helping to infuse the Company with entrepreneurial capabilities, and Paltalk veteran Eric Sackowitz as CTO and Arash Vakil as Chief Product Officer will be strong drivers of execution of our business plan. Finally, we've recently added Judy Krandel as the CFO. She brings 25 years of experience as a micro-cap investor, equity research analyst and company advisor. Pre-merger Snap benefited greatly from her participation as a Board Member and we're very fortunate to have her leading our financial and the capital market strategy.

Moving on the Slide 11, we discuss the forward-looking opportunities. The Company has mapped out a 3-year mission to be a leader in social products delivering live video experiences in a mobile world. We believe that live video will be a ubiquitous element of interactive social products in the near future and companies like Facebook and Twitter are making similar bets. Now that we have merged with a pioneer in live video and operate one of the largest collections of video chat communities in the world, we have an opportunity to make a big splash in one of the most exciting growth areas in consumer technology. The Company expects to pursue this mission by developing a mature business line in synergistic ways and capitalizing on our existing user base, technology and platforms to launch new products at the intersection of mobile, social and live video.

First, I'll describe the strategy relating to existing businesses on Page 12. The existing businesses of Paltalk and Snap have a surprising amount of overlap. Live video and chat users in Paltalk's ecosystem are often interested in making romantic connections and live video communication is a promising new direction for interactive dating sites like FirstMet. With this opportunity in mind, we are hard at work planning and executing features that reference or integrate with other existing products to expand our service offerings based on the respective strength of the pre-merger company. We expect these projects to produce incremental revenue in 2017. We are also making a big push to leverage the combined Company resources and pool best practices. Cross-selling to large user bases across products is already underway and we have seen promising uptake in presenting dating offers to Paltalk users. In addition, we maintain strict cost discipline and we'll be realizing cost savings from the merger wherever possible.

Next, on Page 13, we outline our plans for new business development opportunity. The Company has a long history of innovation as one of the first to create voice and video chat rooms and among the first to leverage the virality of the Facebook platform to build a large dating ecosystem. We expect to continue this tradition of entrepreneurship and pursuing our mission at the new Snap Interactive. First off on the innovation front, we expect to be rolling out new products. Our first new product, a senior's dating service, is near completion and is expected to launch in the first quarter of 2017. Another big opportunity is business development by leveraging our assets, technology and audience. We intend to strike joint ventures and other business relationships that we expect will extend beyond our consumer focus, potentially into large business-to-business markets. M&A is another area through which we expect we can grow our enterprise. The interactive dating industry is highly fragmented and in consolidation. As a public company, we have a stock currency and the promise of liquidity for private company founders and investors. These are competitive advantages as an acquirer in the dating industry, and apart from the present deal, we also have a track record of integrating acquired companies with Camfrog as a prominent example. We also want to highlight intellectual property licensing as a final prominent growth area.

On December 16, just this last Friday, the Company filed a patent infringement lawsuit in Delaware against Riot Games, Inc. and Valve Corporation for infringement of two of Paltalk's patents with respect to the online games, League of Legends and Defense of the Ancients. These two patents in the Paltalk

portfolio were previously asserted against, and then licensed to, such industry giants as Microsoft, Sony, and Activision, generating tens of millions of dollars of licensing income. We can't comment further on these legal matters at this time but we are overall optimistic about the value contribution of our IT portfolio.

Moving on to Page 14, we discuss our capital market strategy. We also now intend to have a more proactive posture towards the capital market than we did in the pre-merger Snap. To facilitate this, as I mentioned earlier, we've added Judy Krandel to the Executive Roster as CFO. Our goal is to list on a National Securities Exchange and we've been taking several steps to attain eligibility. One significant one is the announcement of a 35-for-1 reverse stock split which is expected to go effective on January 5, 2017. We anticipate this will help us clear the hurdle of the closing price requirement for listing eligibility. Also at present, with our improved, debt-free balance sheet and \$5.3 million cash position, we believe we have sufficient capital resources to support the business and current growth initiatives. Now, on that financial note, I'd like to introduce our new CFO, Judy Krandel to present the financial highlights section and conclude the presentation. Over to you, Judy.

**Judy Krandel:**

Thank you, Alex. I'm thrilled to join Snap and be a part of the Team. I know we have a lot of hard work ahead but we believe the industry is incredibly dynamic and the opportunity unlimited with our people, products and technology.

On Page 16, I'd like to spend a few minutes highlighting the pro forma financials for the merger. The merger brings scale to the business which is critically important to compete today. As you can see, pro forma revenues for the combined companies were \$32.1 million in 2015 and \$21.8 million for the nine months ended September 30, 2016. The comparative figures for the pre-merger Snap are \$12 million and \$7.8 million respectively. We more than doubled our size which has had significant positive consequences for the business. Scale and the ability to leverage fixed cost helped yield a dramatic decline in our 2016 year-to-date net loss for a pro forma result as compared to pre-merger Snap result.

Equally as important, pro forma results show positive Adjusted EBITDA for 2016 year-to-date for the combined businesses as compared to an Adjusted EBITDA loss for the pre-merger Snap. But we believe this is only the beginning as the integration is still in its early stages and we have just started to implement our long-term mission.

Turning to Page 17, we'd like to discuss highlights of our balance sheet and the pro forma results are equally as exciting. As of September 30, 2016, pre-merger Snap had \$1.5 million in cash, current debt of \$2.7 million, and a shareholders' deficit of \$3.2 million. The combination with Paltalk yields a solid pro forma \$5.3 million cash position and zero debt. We were able to repay all debt with no penalties and still maintain a comfortable working capital sufficient to fund the existing business. Furthermore, our shareholders' equity is now \$21.5 million. We are in a significantly stronger position from which to build upon. Certainly, we feel that in the case of our merger with Paltalk, one plus one yields at least three.

Now give a turn to Page 18 for some concluding remarks. I want to reiterate what we believe to be the benefits of the merger for the financial outlook for the Company. First, we have a stronger balance sheet. Now, without onerous debt service obligations and restrictive covenants, we believe we have removed major hurdles for growth and cash generation. Next, with the largest scale of revenues we have a more valuable enterprise. We are at the beginning stages of exploring revenue synergies such as cross-selling which we believe represent low-hanging fruit to drive incremental business. Diversification is another benefit. We now have revenue from multiple products in two industries as well as IP monetization potential. This diversification lowers risk and also increases opportunity.

With these two strategically aligned companies together and broader technology capabilities, we now have more new and existing product growth directions available to us. Our Management Team is stronger with significantly more depth which will allow us to execute faster and focus on more new initiatives. Finally, the industry, in our estimation, is large, fragmented and consolidating. We will be actively looking for strategic ways to be a consolidator given our public market position. I'd like to thank you all for your time today and now we would like to open up the line for any questions.

**Operator:**

Thank you. If anyone has any questions, please press star, one on your telephone keypad. If you're on a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Once again that is star, one. I'll pause for just a moment to assemble the queue.

It appears we have no questions in the queue at this time. I would now like to turn the conference back over to our speakers for any additional or closing remarks.

**Alex Harrington:**

Well, thank you, all, for joining this evening and thanks again for your interest in Snap Interactive. If there are no questions, we'll just continue to keep you posted on our progress. Thanks again for joining.

**Operator:**

This does conclude today's conference call. Thank you all for your participation. You may now disconnect.