

BUSINESS NEWS

Snap Gives Warning Of Falling Revenue

Social-media platform's growth stalled in the quarter with digital-ad market in upheaval

By MEGHAN BOBROWSKY

Snap Inc. warned that sales in the current quarter are likely to drop after revenue growth stalled in the final three months of last year, illustrating the difficult market conditions social-media companies are having to navigate.

The Snapchat parent said it generated \$1.3 billion in sales in the fourth quarter, roughly flat from the year-earlier period and broadly in line with Wall Street's expectations. The growth figure was the lowest for Snap since going public almost six years ago.

Sales in the current quarter have declined about 7% year-over-year so far, the company said, and could be down as

much as 10% for the full quarter. Wall Street had been expecting sales to slightly increase, according to FactSet.

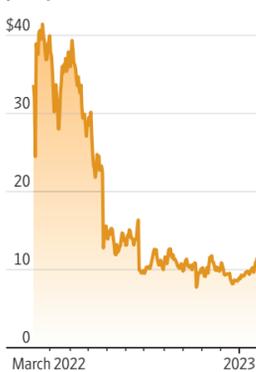
"We continue to face significant headwinds as we look to accelerate revenue growth," Snap Chief Executive Evan Spiegel said.

Snap closed Tuesday up more than 4% at \$11.56 but fell more than 14% in late trading after the results.

Snap kicks off a busy week of earnings for companies heavily reliant on digital ads. Meta Platforms Inc. reports results Wednesday and Google parent Alphabet Inc. on Thursday.

Software giant Microsoft Corp., which posted results last week, said revenue from its LinkedIn social-media platform advanced 10% from the year-earlier quarter and that its search and news advertising activities also saw a 10% increase in sales. Twitter Inc., which no longer reports quarterly results, is offering incentives to

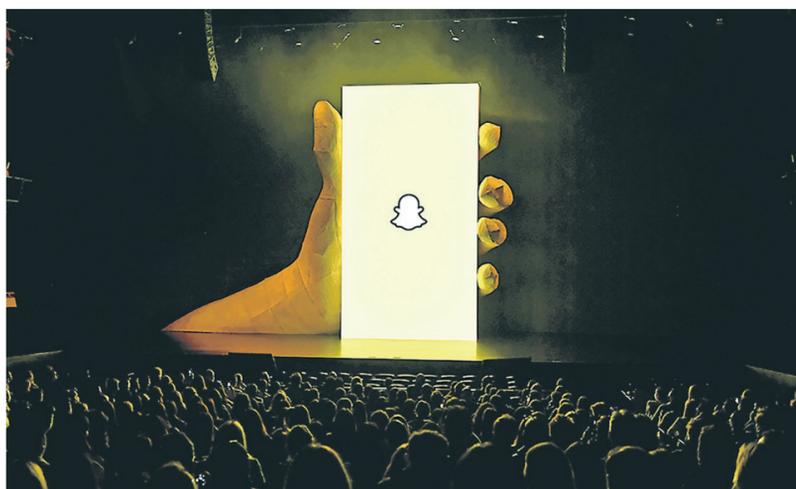
Snap's share price over the past year



Source: FactSet

lure advertisers back to the platform after an exodus.

Snap's net loss widened to \$288 million in the fourth quarter, a stark change from the year-ago period when the company posted its first-ever quarterly profit. The figure also rep-



NOAMI GALANI/GETTY IMAGES FOR SNAP INC.

The Snapchat parent said sales in the current quarter could be down as much as 10% from last year.

resents a bigger loss than Wall Street had been anticipating.

Snap declined to provide a formal top-line outlook or adjusted earnings forecast given market conditions.

Social-media companies have been dealing with more than a year of upheaval. Apple Inc. introduced privacy policy changes in 2021 that made it harder for social-media companies to help ad buyers target users. The market deteriorated further throughout the

year as high inflation and recession concerns set in.

Snap was among the companies hardest hit. Its shares fell more than 80% as revenue growth stalled and competition for the remaining digital ad dollars intensified.

"It's just a harder market for them to win ad revenue," said Mark Mahaney, an analyst at banking advisory firm Evercore Inc., adding that brands are more likely to spend their limited ad dollars on bigger

platforms when budgets are tight, like Google, or Meta's Facebook and Instagram.

Snap reacted to the deteriorating conditions in August by slashing 20% of its staff. Meta and Alphabet followed months later with their own plans for job cuts.

Snap also led the way in other cost-saving moves, sunsetting projects not deemed core, including its flying camera drone and in-house "Originals" programming.

McDonald's Sales Boosted by Happy Meals for Adults

By HEATHER HADDON

McDonald's Corp. said adult Happy Meals and higher menu prices boosted its quarterly sales, though the burger giant said rising costs continue to pressure its restaurants.

The Chicago-based company said Tuesday that its global same-store sales, at stores open at least 13 months, were up 12.6% from a year earlier for the three months ended Dec. 31, aided by to-go sales and promotions such as the Cactus Plant Flea Market Box of food and figurines.

McDonald's reported net income of \$1.9 billion, up 16% from a year earlier. Adjusting for one-time items, earnings per share were \$2.59, ahead of the

\$2.45 expected by analysts polled by FactSet.

Higher costs for food ingredients, fuel and labor cut into McDonald's profit margins at its own restaurants, the company said, and executives projected inflation to persist this year. Chief Executive Chris Kempczinski said he continues to expect a mild to moderate recession in the U.S. this year, and a deeper and longer one in Europe.

"Overall the consumer, whether it's in Europe or the U.S., is actually holding up better than what we would have probably expected," Mr. Kempczinski said.

The company's shares declined 1.3% on Tuesday.

Mr. Kempczinski said that

the McDonald's brand remains strong and that the company would focus on new restaurant openings to help drive growth, while making its operations more efficient. McDonald's in January said it expected to make "difficult" decisions about changes to its corporate staffing levels by April, part of a broader strategic plan geared toward reducing costs.

The company aims to simplify operations and priorities across its global markets, Mr. Kempczinski said, as opposed to cost cuts McDonald's took in 2016 that focused on selling company restaurants to franchisees and reducing senior executive roles.

The chain also said it would expand its business globally, in-

cluding through additional locations and new types of restaurants. McDonald's in December began testing a to-go only restaurant outside Fort Worth, Texas, which provides no public seating and uses a conveyor belt to deliver food to customers who order ahead.

As the U.S. economy softens, restaurant sales have held up better than some investors feared. U.S. consumer spending at restaurants in December was down from November, but up 12.1% from December 2021, the Commerce Department said earlier in January.

The Covid-19 Omicron variant disrupted restaurant sales last winter, but recent consumer surveys show diners are now less concerned about the

health consequences of eating out. A relatively mild winter this year has also helped restaurants, executives said.

For its fourth quarter, McDonald's reported sales of \$5.93 billion, exceeding analysts' expectations of \$5.73 billion. Revenue was down 1% from a year earlier, but up 5% when accounting for the effects of currency fluctuations, the company said.

The burger giant ran several promotions during the quarter that analysts had expected to increase sales, including the so-called adult Happy Meals. Chain franchisees have boosted prices as well. McDonald's said Tuesday that its U.S. prices were up by an average of 10% last year compared with 2021.

McDonald's comparable sales, change from a year earlier



Source: the company

Whole Foods Asks Suppliers To Help in Bid to Lower Prices

By JAEWON KANG

Whole Foods Market is asking suppliers to help the retailer bring prices down on packaged groceries as inflation moderates.

The Amazon.com Inc.-owned grocer told suppliers at a recent virtual summit that it wants to bring down retail prices in its stores as companies' own costs start to decline, according to a recording of the meeting viewed by The Wall Street Journal.

As food suppliers raised wholesale prices, citing higher transport, labor and production costs, supermarket operators said they passed those increases along to consumers. The higher prices helped grocery-store operators generate higher sales and profits.

After more than a year of price increases, shoppers are cutting back on purchases, buying cheaper versions of groceries and seeking out deals across supermarket aisles. Industry executives said they are trying to offer promotions and provide better value.

"We know our customers are weighing the impacts of inflationary pressure on their buying choices," Alyssa Vesco, Whole Foods' senior vice president of merchandising of center store, said to suppliers at the virtual meeting in December.

The company worked over the past year to absorb rising costs, offer new promotions and work with suppliers to offset the impact of inflation for customers, a Whole Foods spokeswoman said.

Whole Foods' rate of price increases has been lower than the industry average, the spokeswoman said, adding the chain lowered prices on some items including cereal, bread and sparkling water. The company is committed to ensuring that prices reflect easing inflation, she said.

Overall inflation is starting to slow, government data have shown, as the U.S. economy shows signs of cooling and the Federal Reserve continues to raise interest rates. Grocery



The company worked over the past year to absorb rising costs.

prices continue to climb, but the pace has decelerated in recent months, rising 11.8% in December from a year ago compared with 12% in November and 12.4% in October, according to the Labor Department. Prices of fresh fruits, fish and seafood fell in December from November's levels, according to the department.

Some food companies have said food inflation is beginning to moderate, though the retail prices that consumers see have yet to drop across the board. Some costs are declining, including for fuel and certain types of meat.

During periods of slowing inflation, prices of commodity-linked items such as meat, produce and dairy have historically decreased, while packaged foods haven't tended to change much, supermarket operators said. With less pressure on their own costs, suppliers could fund more discounts that would result in lower retail prices, they said.

Foot traffic to Whole Foods stores decreased about 8% in the fourth quarter of 2022 compared with the same period a year earlier, according to data from research firm Placer.ai. Rivals Kroger Co. and Albertsons Cos. have experienced declines, too, though discounters such as Aldi Inc. and Trader Joe's have recorded increases, according to

Placer.ai. Traffic generally remains higher than pre-pandemic levels across the grocery sector, the data show.

The Whole Foods spokeswoman said Placer.ai's data doesn't capture 13% of its stores and the number of in-store transactions grew 3.5% in December year over year, while the amount of items bought by customers remained flat. Placer.ai said its coverage of 87% of stores gives an accurate picture of overall visits for the chain.

Across the grocery sector, the volume of edible goods sold in December declined by about 2%, while the dollar value of the sales increased by about 12%, according to data from Information Resources Inc.

Whole Foods, which operates more than 500 stores in the U.S., Canada and the U.K., has been lowering prices and expanding its lower-cost store brands since its 2017 acquisition by Amazon, part of an effort to reach a broader range of customers. The chain expanded online operations and opened more stores.

Watch a Video

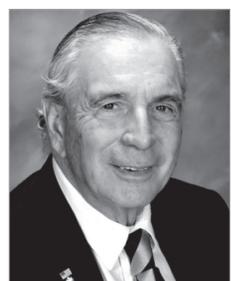


Scan this code for a video on why CEOs are talking about price elasticity.

Who's Who of Distinguished Leaders: 2023 Honorees

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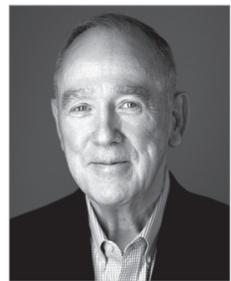
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