

# Reddit shares rise more than 15% in first quarterly earnings since going public

Publication Date: 2024-05-07

Author: Kari Paul

Section: Technology

Tags: Reddit, Quarterly results, news

Article URL: <https://www.theguardian.com/technology/article/2024/may/07/reddit-earnings>



Reddit shares rose more than 15% in after-hours trading on Tuesday following its first quarterly earnings since going public in March. The company reported overall losses of \$575m, citing expenses from its initial public offering for the decline. But strong revenue and user increases boosted confidence in the company after its long-awaited public offering. Reddit reported a revenue of \$243m during the first quarter of 2024 – an increase of 48% from the previous quarter. It also posted record user traffic, with daily active users increasing 37% to 82.7 million from the previous three months. The report comes after its initial public offering saw a positive response, with shares up 48% on the first day of trading. “We are happy with our progress this quarter,” chief executive officer Steve Huffman said in a statement accompanying the report. “Our management target is to grow revenue twice as fast as total adjusted costs, but this quarter we grew revenue five times faster.” In an earnings call on Tuesday, Huffman cited one-time IPO costs as the primary source of headwinds facing Reddit during the quarter. Stock-based compensation expenses and related taxes were \$595.5m. Launched in 2005, Reddit has long been a major figure in the social media world but has failed to replicate the financial success of its peers like Meta and X. The platform saw roughly 73 million unique daily visitors at the time of its IPO filing. Ahead of its public offering, Reddit stated it was “in the early stages of monetizing [its] business” and had yet to turn an annual profit. Analysts were skeptical before Tuesday’s report, with investment firm New Street Research issuing a “neutral” rating on the company in March. But many analysts are confident about Reddit’s ability to leverage its dedicated audience for advertising revenue. The market research firm eMarketer has forecast Reddit will reach \$1.33bn in worldwide ad revenues by 2026. Goldman said that licensing content from Reddit for artificial intelligence and language learning models could be a major future source of revenue. OpenAI CEO Sam Altman owns almost \$800m in shares of Reddit. “By leveraging its trove of user-generated content to train AI models on conversational language, Reddit has unlocked a lucrative revenue stream,” said eMarketer senior director of briefings Jeremy Goldman. “With its distributed human moderation, Reddit is well-positioned to detect and prevent AI-generated spam, giving it an edge over rivals.” Reddit also expressed intentions to improve its search functionality, integrating artificial intelligence tools to better tailor the experience for users. Huffman said Reddit is strategically hiring to bulk up these areas, increasing headcount 2% from the previous quarter and 4% year over year. “With improvements to on-platform search, we can unlock a huge amount of value and all of our past content, including all the answers, reviews and advice that we have,” he said. “We see this as the beginning of a new chapter as we work towards building the next generation of Reddit.”