

Reddit shares soar on first day of public trading

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Social media platform Reddit's (RDDT.N) shares ended their first day of trading in New York up 48%, signaling that investor appetite for initial public offerings of promising yet loss-making companies could be returning. Reddit shares closed 48% above initial offer prices in the company's trading debut on Thursday, valuing the social media platform at more than \$9bn in a closely watched opening. The stock peaked at \$57.80 a share, up 70%, before dropping to \$50.44 to close the day. The initial public offering for the San Francisco-based company was first priced at \$34 a share, putting its market value at \$6.4bn. The company and its selling shareholders raised \$748m. The long-awaited IPO had been in the works for more than two years. Reddit confidentially filed for an IPO in December 2021 but ended up delaying amid stock market turmoil. Its current valuation represents a drop from 2021, when it was valued at \$10bn during a private funding round. Reddit's robust entry on to the market stands to generate a windfall for its largest shareholder, Advance Publications. The parent company of Condé Nast, which owns popular magazines such as the New Yorker, Vogue and Wired is set to reap as much as \$1.4bn from the debut. Advance acquired Reddit for \$10m just 18 months after its launch. Reddit co-founder and CEO Steve Huffman received a pay package worth \$193m last year. The site's other co-founder, Alexis Ohanian, long the public face of the company to Huffman's background technical role, does not appear in the company's filings with US financial regulators. Other major shareholders of Reddit include the Chinese gaming giant Tencent, which owns 11% of the company after leading a \$300m investment round in 2019; Fidelity, which owns 9.5% from several investments in the company; and the OpenAI CEO, Sam Altman, who owns 8.7% after investing in 2014. Reddit participated in the first class of the influential Y Combinator startup accelerator program shortly after its founding in 2005. Altman was later president of Y Combinator. With few large tech IPOs in recent years, the frenzy for technology stocks is likely to help Reddit get a good start on the market, experts say. But investors will be watching the market closely over the next few weeks, said Julian Klymochko, CEO of alternative investment solutions firm Accelerate Financial Technologies. "If Reddit trades poorly, it will cast a shadow over the IPO market," Klymochko said. "Many companies will hit pause on their IPO initiatives." After its launch in 2005, Reddit became one of the cornerstones of social media culture. Its logo – featuring an alien head on an orange background – is one of the most recognized symbols on the internet. The company has long used the tagline – "The front page of the internet." Its 100,000 online forums, dubbed "subreddits", allow conversations on topics ranging from "the sublime to the ridiculous, the trivial to the existential, the comic to the serious", according to Huffman. Huffman himself turned to one of the subreddits for help to quit drinking, he wrote in his letter. Barack Obama, the former US president, also did an "AMA" ("ask me anything"), internet lingo for an interview, with the site's users in 2012. But despite its cult-like status in the social media world, the company has failed to replicate the success of its bigger rivals, including Meta's Facebook and Elon Musk's X. It boasts roughly 73 million unique daily visitors, according to its filings. Facebook, by contrast, says 2 billion people log into its

app every day. As part of its plan to reward its user base, Reddit has reserved 8% of the shares on offer for eligible users and moderators, certain board members, as well as friends and family members of its employees and directors. The company has said it is “in the early stages of monetizing [its] business” and is yet to turn an annual profit. Analysts said investors would be scrutinizing its roadmap to profitability. “The real news is going to be after the first earnings call – where are they headed, what are the results looking like, what changes are they going to make,” said Reena Aggarwal, director of the Georgetown University Psaros Center for Financial Markets and Policy.