

Reddit files for initial public offering ahead of stock market debut

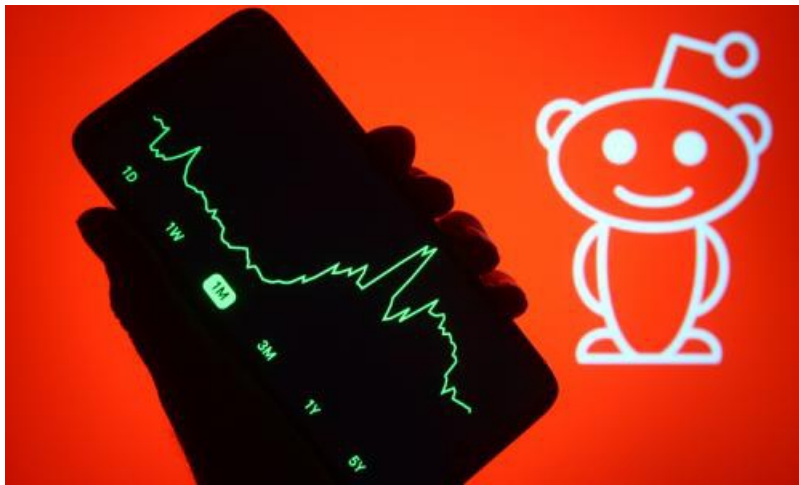
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Reddit set the stage for its highly anticipated stock market debut, preparing investors for the largest initial public offering by a major social network in four years. A filing with the Securities and Exchange Commission on Thursday disclosed the financial performance of the social media group, and revealed that Sam Altman, the OpenAI founder and CEO, is its third-largest shareholder, with an 8.7% stake. The company plans to trade on the New York Stock Exchange under the ticker symbol “RDDL.” Its much-awaited listing – expected in March – would be the biggest social media IPO since Pinterest went public in 2019. The number of shares to be offered and the price range for the proposed offering have not yet been determined, Reddit said in a statement. The IPO filing revealed that Reddit sustained \$90.8m in losses in 2023, down from \$158.6m in 2022, as its revenue grew by roughly 21%. The platform has 267.5 million active weekly users, more than 100,000 active communities, and 1bn total posts, it said. The business estimated that its US average revenue per user, or ARPU, was \$3.42 for the last quarter of 2023 – a decrease of 2% year over year. Advance Magazine Publishers is the company’s largest shareholder, with a 30.1% stake, while the Chinese multinational Tencent has 11%. Reddit’s planned IPO comes almost two decades after Reddit’s launch and will be a major test for the platform that still lags the commercial success of social media contemporaries such as Facebook and Twitter, now known as X. The filing also revealed an unusual plan from Reddit to allow its most active users to buy shares in the IPO. Reddit will allocate shares using a tiered system rewarding users who have “meaningfully contributed to Reddit community programs”, users who have completed a certain number of moderator actions and people with a minimum “karma” score – the points given to users by others on the platform for posting content. Reddit was valued at \$10bn in a funding round in 2021 and it is unclear what valuation the company will aim for during its share sale in the coming weeks. It is expected to seek a sale of nearly 10% of its shares in the IPO, Reuters reported earlier. In the filing, Reddit cited data licensing arrangements as a revenue stream – saying that in January 2024 it entered data licensing arrangements with an aggregate contract value of \$203m. Reuters reported on Wednesday that Reddit struck a deal with Alphabet’s Google to make its content available to train the search engine giant’s artificial intelligence (AI) models. The contract is worth about \$60m each year, according to one of the sources. “Reddit data constantly grows and regenerates as users come and interact with their communities and each other,” Reddit said in its filing. “We believe our growing platform data will be a key element in the training of leading large language models (“LLMs”) and serve as an additional monetization channel for Reddit.” Reddit had confidentially filed for the IPO in late 2021, but tough economic conditions and the poor performance of listed technology stocks had compelled it to delay the offering. Morgan Stanley and Goldman Sachs have been tapped as the lead underwriters for Reddit’s IPO, which includes more than a dozen other banks.