

**Reddit, Inc.(RDDT-US) Schedules Q3 2024 Earnings Release for 29-October-2024 After Market Hours ET
Thursday, October 03, 2024 09:56:10 PM (GMT)**

Reddit, Inc.(RDDT-US) Schedules Q3 2024 Earnings Release for 29-October-2024 After Market Hours ET.

Reddit, Inc.
303 2nd Street, South Tower
5th floor
San Francisco, CA 94107 US
<http://www.redditinc.com>

Investor Relations Contact(s):
Jesse Rose

Copyright 2024 FactSet Research Systems, Inc. All Rights Reserved.

Event Type: Earnings Release

Industries: Internet

Primary Identifiers: RDDT-US

Regions: US

Related Identifiers: RDDT-US

**Reddit, Inc.(RDDT-US) Schedules Q3 2024 Earnings Call for 29-October-2024 5:00 PM ET
Thursday, October 03, 2024 09:56:10 PM (GMT)**

Reddit, Inc.(RDDT-US) Schedules Q3 2024 Earnings Call for 29-October-2024 5:00 PM ET.

Live WebCast URL: <https://events.q4inc.com/attendee/537355903>

Replay WebCast URL: <https://events.q4inc.com/attendee/537355903>

Reddit, Inc.
303 2nd Street, South Tower
5th floor
San Francisco, CA 94107 US
<http://www.redditinc.com>

Investor Relations Contact(s):
Jesse Rose

Copyright 2024 FactSet Research Systems, Inc. All Rights Reserved.

Event Type: Earnings/Results

Industries: Internet

Primary Identifiers: RDDT-US

Regions: US

Related Identifiers: RDDT-US

11-Sep-2024

Reddit, Inc. (RDDT)

Goldman Sachs Communacopia Technology Conference

CORPORATE PARTICIPANTS

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

OTHER PARTICIPANTS

Eric J. Sheridan

Analyst, Goldman Sachs & Co. LLC

MANAGEMENT DISCUSSION SECTION

Eric J. Sheridan

Analyst, Goldman Sachs & Co. LLC

Okay. I know some folks are still shuffling in, and we're trying to move everybody around between all the various session, but in the interest of time, let me get started here. It's my pleasure to welcome the team from Reddit to the conference this year. We've got Steve Huffman, Co-Founder and CEO. Steve and I are going to have a fireside conversation. Steve, thanks for being part of the conference and this is your first one, I think, as a public company. So welcome.

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

Yeah. So thanks, Eric. Good morning, folks. Thanks for being here. Yeah, looking forward to this.

QUESTION AND ANSWER SECTION

Eric J. Sheridan

Analyst, Goldman Sachs & Co. LLC

Q

Okay. So let's start big picture. It's been six months since the IPO. When you look back over those six months, how have the first two quarters been and have there been any changes in the priorities you have for the business since going public?

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

So, in terms of the first two quarters, we're very happy. We came out of the gates strong, pretty much did everything we wanted to do. Our first goal of going public was actually just to be public. This company has been around a while, and so for employees, for investors, for our users, our users as possible owners, which a public company provides, just getting out was important to us. And so we're able to do that. Our users being investors, we like the way things traded.

And then, just from a business point of view, business is good. So we grew significantly in Q1 and Q2 last quarter, over 50% of both users and revenue. So I couldn't ask honestly for much more. And now with the lockup behind us, which was last month, I think we can say like the IPO is done. Now we're a public company and we just get to work. So we feel great.

Eric J. Sheridan

Analyst, Goldman Sachs & Co. LLC

Q

Okay. Perfect. Maybe switching to usage and traffic and consumer behavior, the platform in many ways been at the forefront of this recent AI wave. Starting with user growth and engagement, how has the rise of AI, both your own work and third party platforms, benefited Reddit from a user and engagement standpoint?

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Sure. So, like, AI is not a new thing. And so, if I were to look over the history of Reddit, what we used to refer to as machine learning, but in that way it manifests in the product is relevance for a user is helping users find communities that are relevant to them, making our home feed more and more engaging. We've really clicked that on in earnest about a year and a half ago. And so that's one of the things that's really been driving user growth is we've gotten much, much better about connecting users with their home on Reddit, expanding their interest on Reddit. So that's maybe what we call old school ML, at least in these forums. That's been working very, very well. Then of course today, now we have large language models, which makes Reddit better in all sorts of ways. One of the big ones that'll probably come up a couple of times today is using LLMs to translate our content into other languages. So now we can do human quality translation of the Reddit Corpus. So that's a really important part of how we grow outside of the US, outside of English. LLMs help make moderation better. Right now you can detect things with computers like bullying or rudeness or this or that that formerly required humans to see and adjudicate. So we make Reddit safer.

And then as you look to the future, for us, there's a lot of little things, but the big thing is search. So we'll probably talk about search a lot today, I imagine. But in this case, I'm referring to on platform search. So users running searches on Reddit. We see about 1 billion queries a month there, and so making that product work really well. I

think there's a tremendous amount of opportunity there, both on the consumer side, our users run searches or trying to find stuff on Reddit. That's like the mission number one. And of course, down the road monetization, and so AI and related technologies will be really helpful there.

Eric J. Sheridan
Analyst, Goldman Sachs & Co. LLC

Q

Okay. So you've seen very strong user growth. If we look backwards first towards – looking back over the last 12 to 18 months, want to know if we can unpack this a couple of different ways. Number one, maybe for those folks who aren't aware, what were some of the driving force behind that strong user growth? How do you see those types of levers and growth evolving? And what's the challenge with balancing the core of what Reddit is against the dynamic of also wanting to drive new users and continue to improve the user funnel over time as well?

Steven Ladd Huffman
Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Sure. So the things that have been working very well for us the last year, I touched on one of them, using ML to expand people's interest on Reddit. So, if you talk to me two years ago or five years ago, I'd probably say our number one challenge is we have a home on Reddit for everybody. Like your interests, your passions, whatever you're into are going through our on Reddit. But we weren't successful consistently in connecting users with their home on Reddit. So we've gotten much, much better at that over the last year. And so now all those new users that we see, whether it's through word of mouth or external search like Google, the new user retention has gotten much better. So that's one of the big ones.

Along the way, it has been a million small but important things we've done. We've made the app easier to use, faster, easier on the eyes, added some nice quality of life features, generally making Reddit more accessible. That's working. That's very exciting. It's the most fun product work we do and it's working.

One of the other big changes is we made the Web platform, we rebuilt it from the ground up, and it's two to five times faster than the Web platform that it replaced. This was also landed in about May of last year. That really improved ranking and external search. And so, I'm sure you've seen Reddit and Google. If you're using Google, you're probably ending up on Reddit. Web performance is a big driver there. So that helped at the top of the funnel, and then the ML and quality of life stuff helped with the conversion, and so that's been driving growth over the last year. So the kind of core of our business which is logged in users in our app, that was up 30% last quarter and that's the highest rate it's been in years. And it feels great to see our work really translating into that sort of growth.

Eric J. Sheridan
Analyst, Goldman Sachs & Co. LLC

Q

Maybe just sticking with this theme and another part of it would be broadening it out over time. So you're trying to bring awareness of the platform, new users in while trying to maintain the core of what Reddit is. Talk just a little bit more about striking that balance.

Steven Ladd Huffman
Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Sure. So the core of Reddit is communities. And I've been hearing this – so Reddit's been around 19 years. Since the day we turned on commenting on Reddit, which is August 2005, users have been worried that Reddit's too big, like our best day is behind us. And what we've seen is Reddit's just people. Reddit has near-universal appeal

to people. And we're now at this point where, like, if you're between the ages of, let's call it, 17 and 70, men, women, nerds, normies, whatever it is, Reddit works for you.

And so we've hit this point where I can confidently say Reddit can work for anybody without compromising Reddit itself. I think there's this fear, oh it's going to get too big, it's going to lose its pull, it's going to be uncool. But one of our product philosophies is that no matter how big Reddit is, it should always feel small, and the community structure of Reddit gives us that.

So it's not one size fits all for everybody. On Reddit, you're in a community, we call them subreddits, that's super tailored. So it might be for the TV show you're watching or the video game you're playing or the – might be a parenting community to give you advice there or whatever you're going through, Reddit has got many, many small areas. And so it creates this intimate dynamic that – and we've been able to basically make it work for just about everybody. And so that's the thing that – if you had asked me 10 years ago, maybe I was unsure if we'd be able to do that, but now I can say confidently we've done that. And so now we just grow.

Eric J. Sheridan

Analyst, Goldman Sachs & Co. LLC

Q

Okay. Understood. Maybe turning to international, how do you frame the opportunity for Reddit to expand in international markets? What scale do you think you can get to over time? And what are some of the key investments that have to be made to capitalize on that opportunity?

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Sure. So to give you a sense of scale, today, we're about – last quarter, we're about 90 million users every day, 90 million DAU, roughly half in the US and half outside the US. Outside the US, so 50/50, if you look at our peers in the space, they range from 80% to 95% outside the US. So just kind of like almost like a law of nature, the way these internet platforms go, we would expect to grow up to that range. And so for us, the question is just over what time period.

Reddit is different than social media in that you're joining a community. And so it's a more intentional experience. But over our history, we've been a slower grower than social media, because it's not – right, well, social media works it's like I invite my friends, they invite their friends, you get this really, really powerful network effect. Reddit is more intentional.

One of the things I'm most excited about, though, is one of the biggest barriers to us growing internationally is language, right? It's mostly English today. Not entirely, but mostly. With large language models, we can translate our Corpus into other languages at human quality. So, we've done French in the first half of this year. Results are working really, really well. And so, now we started to do Spanish with billion Spanish speakers in the world. Portuguese, I guess it's a couple of big countries, and German where we have a nice foundation.

And so we'll keep adding on languages as we go. But it's rare that we get such a kind of tactical improvement to Reddit as we do with the translation. So we'll get to that scale. Like I said, we're one of the few platforms that has universal appeal. Everybody has hobbies and interests. Everybody lives in an area, like, either has sports teams or local interests like cities or countries or whatever. Everybody's making some decision. What should I watch? What should I wear? What car should I buy? I need help with my kids or I'm going through this relationship, this or that. And so Reddit's universal appeal, combined with the translation, means we can be as big as anybody.

Eric J. Sheridan
Analyst, Goldman Sachs & Co. LLC

Q

Okay. So we're going to switch gears a bit now. Ahead of this discussion, the Reddit team solicited questions from its community r/Reddit or RDDT – RDDT, the ticker, the stock's ticker. There's two I'm going to ask you that were submitted in the community. So the first is a user question. From a Redditor and shareholder, it feels like advertisers could target better based on post subject matter. How do you think about a more dynamic approach to advertising in relation to this, because it feels like you're missing low hanging fruit still? Okay. That's question one.

Steven Ladd Huffman
Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

First, it really warms my heart to hear somebody describe themselves as a Redditor and shareholder. That was the point of going public. Our users feel a deep sense of ownership over Reddit. They have for a long time. So they being able to be actual owners is literally a dream come true for us.

Okay, so the question is, can we target more on context? And so broadly on Reddit, there's two reasons you will see an ad, that advertiser is either targeting you based on your broad interests on Reddit, right? So you go to the skiing subreddit, you'll start seeing outdoors ads, for example. Sometimes the connection isn't as obvious, right? The advertiser says, hey, we want to target outdoors people, but we're selling energy drinks or whatever. So it may not be super obvious to you, the consumer, but the advertiser is basically targeting your interests that you've expressed on Reddit.

The other is the context of the content you're looking at. So there's many, many pages on Reddit. We call them conversation pages, where people are talking about a very specific product, a brand, a company. And so, if you're on that page, you may see an ad targeted to that specific thing. I think that's what the user is asking about. But you may see an ad targeted to you as a person. Both are really important. On the latter, of course, that gets better and better as we grow the number of advertisers, increase advertiser density and make sure we have a customer that fits perfectly. But that won't always be the ad you see. Now, one thing we don't do is target based on your personal and private information, your Internet browsing habits. And so this is one of the trends that I think is really important online right now is making advertising more transparent and predictable and explainable as opposed to what I think we've been through the last 10 years, where ads are, for lack of a better word, creepy. That's not us.

Eric J. Sheridan
Analyst, Goldman Sachs & Co. LLC

Q

Okay. So we got a second one. Google said they wanted to enhance search results by incorporating more Reddit content, responding to users, increasing reliance on Reddit for helpful information. Is this initiative now "complete," or how far along are we in this process?

Steven Ladd Huffman
Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Look, so Google's always evolving in this AI era. They're doing a bunch of new stuff. I don't think they'll ever be done. But yeah, they're testing new stuff, summaries and this and that. I can tell you in the short term well, that's not really short term, for a long time we've had a symbiotic relationship with Google. We have a lot of content in their index and they help users find content on Reddit.

Now, the advantage that Reddit has is consumers are specifically seeking out Reddit content. So if you were to go to Google Trends, for 2024 in the US, Reddit, the word Reddit is the sixth most searched for word on Google.

Number five is news. I think number eight is maps. And so Reddit is something that users or consumers are specifically looking for. So whether they type it into the search box on Google or they type it into their address bar to come directly to Reddit, Reddit has unique content and experiences that consumers want. And so that makes us resilient. And it means that I think we and Google can collaborate on how do we create the best experience for consumers, which is what we do. And so we've had a long relationship with them. Their product will evolve. Ours will evolve. But what makes Reddit defensible and resilient and differentiates us from, I think, some other publishers on the Internet is we have totally unique content and experiences that users seek out specifically.

Eric J. Sheridan

Analyst, Goldman Sachs & Co. LLC

Q

Okay. All right. So let me pivot back to some of the topics I had. Just wanted to talk next about data licensing. How do you see the opportunity for data licensing of Reddit data and content to AI platforms and how you positioned the platform, whether it be offensively or defensively, against this opportunity?

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Sure. So Reddit's corpus, right, nearly two decades of human conversation is unique and valuable and colloquial. So it's real people talking about real things the way that humans talk about it. So this is very special and it's really valuable for AI training. And so, many of the big foundation models used Reddit's content to train.

And so, what we've done over the last year and a half is start to create intentional relationships with these companies so they can have ongoing access to Reddit's corpus to continue training. So we've done a couple of major deals, bigger ones with Google, with OpenAI. We're in talks with others.

Look, the whole I think Internet benefits from large language models. I spoke to you earlier about the ways that our company benefits from this technology. So we think it's important and we think it's important broadly that Reddit's content be accessible for these things. But we want to make sure if Reddit content is used for commercial purposes that there's a commercial agreement.

Now, we also, on the other end of the spectrum, allow Reddit's content to be used for non-commercial purposes. So we make it accessible to, for example, researchers or non-profits because we like to advance the state-of-the-art. We like to help people on the Internet grow and do interesting things. And we have a long history of doing that.

One of the things we did over the last couple of months is we released our public content policy, which basically documents the ways in which Reddit's content is open and what's not open. So personal information, behavioral information, all of that is not included in this, but content that's on the public Internet, we can license in commercial terms, we can license in non-commercial terms. And we feel this broadly benefits the ecosystem. And it's also a nice growing business for us on the data licensing side.

Eric J. Sheridan

Analyst, Goldman Sachs & Co. LLC

Q

Okay. And next, want to turn to a topic we talked a lot about around the time of the IPO process. Why don't you walk us through your vision of the long term for the developer platform on Reddit, what you're trying to build and how early testing is going with developers so far?

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Sure. So the interesting thing about Reddit is, I've described our subreddits today as communities around interests and passions and maybe geography and things like that. But our users have created subreddits to do a lot more than that. So maybe you've heard of the AMA, the Ask Me Anything, the big kind of public interview that Reddit has pioneered, right? We've had presidents do that. We've had vacuum cleaner salesmen, that's one of the most popular ones over the years. That whole format, it's basically a product. It's almost a company in its own right, was created by users on top of Reddit.

We've got another subreddit called PhotoshopRequest, where users pay \$5 or \$10 to alter a photograph. Sometimes it's something pedestrian, like, can you crop my ex out of this picture? Sometimes it's more profound. My parent died, passed away, this is the last picture of them, can you make it pretty? Can you make it nicer? If you go to PhotoshopRequest today, you'll see examples of both of those things.

But that's like a little business, a little service that users have created on top of Reddit. So the developer platform that we're building, we've been working on this for two years, basically gives users more tools to expand what Reddit is and what it can be used for. So I gave you a couple of examples. There's also things like games. So, we, Reddit Inc., we've built a game that we've run the last couple of years called place where users collaborate and create an image one pixel at a time together. Last summer was the last time we ran it. We had 9 million people play that game within the course of a week and on a single shared canvas. So if you want to see the power of Reddit, go to YouTube and search for Reddit place and see this work of art that users created. So that's an example of a game.

So developer platform, we're trying to give the tools to our users to expand Reddit. I know that was a long intro, but that's the idea is people are creative and they'll do really creative things if we give them the tools. Now, on top of that, we'll build in monetization [ph] primitives (00:20:01) so that users can charge for things, charge each other for things. Maybe start little businesses on Reddit.

So I'd say we're still in early days here, but we've got a few hundred developers off our waitlist now experimenting with this platform. We're building the payment infrastructure as we speak, and we'd love to see kind of end to end proof of concept of that on the order of this year, more or less, connecting the dots there and then grow from there.

Eric J. Sheridan

Analyst, Goldman Sachs & Co. LLC

Q

Okay. So you've recently done some content licensing deals with the sports leagues, the NFL, the NBA. Maybe talk a little bit broadly about your video content strategy. How does it play a bigger role on Reddit going forward, both for the user and potentially for advertisers as well?

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

So the way to think about Reddit is it's not a video platform or not a text platform. And even though we pioneered the meme, it's not a meme platform. It's a platform for community and conversation. So on Reddit, you talk about pieces of content, be that text or images or video. Video is, across the Internet, one of the fastest growing content types, right, because the phones and computers can support it, the bandwidth supports it. So video like everywhere is growing on Reddit. But what's really important on Reddit is not that we be a video platform, it's that we allow our communities to have videos so that they can kind of organize around it and talk on it.

Yes, we did partnerships with many of the major leagues, NFL, NBA, MLB, NASCAR to make sure we have licensed high quality content, specifically video on our platform so our users can discuss it. And so we feel great about that. But I'll just point out that text and people telling stories and on Reddit telling stories they've never told before is actually the most popular content type on Reddit and continues to grow. And on the internet, audio is one of the fastest growing content types. And so our strategy at Reddit is to be content type agnostic, whether it's text images, audio, video, we want it all on Reddit. We want it all to work well so that our users can organize around it and discuss it however they like.

Eric J. Sheridan
Analyst, Goldman Sachs & Co. LLC

Q

Okay. We'll turn next to content moderators. How do you view the current health of the content moderator community and Reddit's relationships with mods? And what tools or products do you continue to build and improve upon to put in the hands of moderators?

Steven Ladd Huffman
Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Sure. So when we say moderators at Reddit, we are referring specifically to users who create communities on Reddit. They're not paid employees. So when other companies say moderators, they're often referring to paid employees on their safety team. For us, moderators are users who create communities and are stewards of the culture of those communities.

So look, Reddit doesn't exist – Reddit is communities, and the communities are created by users who then become moderators. And so our relationship with them is essential. So there's a couple of things that we really focus on with the moderators, giving them good tooling. So we tried that the tooling that we use internally in our safety team, our goal is to expose everything that we have also to moderators, because every community on Reddit has rules, not just unwritten rules, but written rules that are created by the community and enforced by the community.

For example, the most common user created rule is some form of be civil or be nice, which is a really important rule. But giving users the ability to enforce their rules at scale is really important. So mod tools are super important. We also spend a lot of time with moderators both on Zoom calls, in-person doing meet-ups. We have a whole program at Reddit called Adopt-an-Admin, so it's where employees, myself included, will actually moderate communities on Reddit alongside our user moderators to just make sure we have native understanding of the challenges they face and can continue to deepen those relationships.

And with the developer platform and user economy, again, we're trying to give the moderators more tools so they can both do more things on Reddit and eventually build kind of subreddits that are maybe allow them to even start little businesses on Reddit, capture some of the value that they're helping to create on Reddit. So there's a lot that goes into it. Moderators are our most important constituency within our user base.

Eric J. Sheridan
Analyst, Goldman Sachs & Co. LLC

Q

Okay. So we've talked a lot about the long term opportunities, a lot of what you're trying to build on the product and platform side. Let's pull it all together. How do you think about aligning capital investments when you think about what sort of goals and milestones you want all that innovation to sort of line up against in terms of striking a balance between applying capital against the long-term goals and long-term opportunities?

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

So, look, the mission of Reddit is to create community belonging and empowerment for everyone in the world. The majority of our investment, we think of it high level as like a 70/20/10 model. So that 70 is the core of Reddit. That's basically all the stuff we've talked about today. Making Reddit faster, safer, easier to use, those are the things that grow our core user base. The machine translation is part of that. And then, our core ads business is part of that. And again, there, the roadmap, is long but straightforward. Improving targeting, improving measurement, improving performance, [indiscernible] (00:25:40), things like that. That's all in the core, that's the majority of our investment.

One of the most important phrases in our mission is that last phrase, everyone in the world. We've proven that Reddit can work for anybody. And so now, we need to actually make sure it's everybody. I think every user on the Internet can be a Reddit user. That's the core of our strategy. Our core product works, we need to just grow it.

Now, as we get into the 20 and the 10, we get into the bets. So the things we've talked about today, user economy, developer platform, those are our most bet like bets straddling I think kind of both the bets and Corus search. It's both a part of the core consumer experience, but it also represents a big opportunity for our future.

So I'd say, when we look at capital allocation, it's nothing crazy, but I think everything fits in our roadmap and has a very clear mapping to a part of our mission. And for us, it's work. The good news is our work is working. Our team is in place. We're executing better than we ever have in Reddit's history. It's a really fun time at Reddit because we can ship what we want, we ship it on time, we like the quality and it works. And so, of course not everything will work, especially on the bets area over the long term, but I like the growth that we're seeing and I really like the direction that we're heading.

Eric J. Sheridan

Analyst, Goldman Sachs & Co. LLC

Q

Okay. We've only got a few minutes left, maybe one last topic I want to hit. We always try to end on sort of a forward-looking sort of question and we're here at a technology conference. Looking ahead over the next 12, 18 months, what are the key priorities and milestones that you'd like Reddit to achieve both as a platform, as a company, and are there any emerging themes that we haven't talked about that you think investors should be keeping in mind with respect to the company?

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

So one of the funny things is, though, Reddit, to me it feels still like a startup, and that's the vibe at the company is we definitely have that kind of new company start up energy. We've been doing this for 19 years. We're actually one of the oldest platforms. One of the trends that we're seeing is a lot of the things that we believed in near religiously are now becoming important trends. So we believe in organizing people around communities and interests, as opposed to social media which organize around what I call the Fs; friends, family followers, famous people.

Those aren't Reddit concepts. We organize around communities and interests. But there's a secular trend now, I think, from the apps towards things like community, and so that that's something we believe in for a long time but we're seeing that start to really take hold.

On ad targeting, moving away from PII like personal information, internet browsing habits and moving back towards context and back towards interests. That's a trend that we see advertisers want and that we provide. And so that that trend is really important to us. And of course, we've talked a lot about LLMs and how that makes the whole Internet better. But LLMs are very good at text and words and Reddit is mostly text and words. And so there's, I think, a lot of opportunity there.

In terms of milestones, you're catching me in a little bit of a transition period. For years, the milestones that we've been chasing at Reddit are \$1 billion in revenue and 100 million DAU, and we're on the threshold of both. So we're going to have to raise the bar here. I don't know if it's going to be 2x or 10x, we'll get the both eventually. But we're actually, I think, [ph] really (00:29:40) on the verge of things we've been chasing for like five years. And so that's happens to be in the short term very exciting for us.

Eric J. Sheridan

Analyst, Goldman Sachs & Co. LLC

Okay. Well, first, Steve, thanks for the opportunity to have the conversation. And second, please join me in thanking Reddit for being part of the conference this year.

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

Thanks, Eric. Thank you, everybody. Thanks.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2024 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.

Reddit, Inc.(RDDT-US) Schedules Goldman Sachs Communacopia Technology Conference for 11-September-2024 1:50 PM ET
Wednesday, August 21, 2024 01:02:10 AM (GMT)

Reddit, Inc.(RDDT-US) Schedules Goldman Sachs Communacopia Technology Conference for 11-September-2024 1:50 PM ET.

Live WebCast URL: <https://www.reddit.com/r/RDDT/>
Replay WebCast URL: <https://www.reddit.com/r/RDDT/>

Reddit, Inc.
303 2nd Street, South Tower
5th floor
San Francisco, CA 94107 US
<http://www.redditinc.com>

Investor Relations Contact(s):
Jesse Rose

Copyright 2024 FactSet Research Systems, Inc. All Rights Reserved.

Event Type: Conf. & Pres

Industries: Internet

Primary Identifiers: RDDT-US

Regions: US

Related Identifiers: RDDT-US

06-Aug-2024

Reddit, Inc. (RDDT)

Q2 2024 Earnings Call

CORPORATE PARTICIPANTS

Jesse Rose

Head-Investor Relations, Reddit, Inc.

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

Drew Vollero

Chief Financial Officer, Reddit, Inc.

OTHER PARTICIPANTS

Doug Anmuth

Analyst, JPMorgan Securities LLC

Laura Martin

Analyst, Needham & Company, LLC

Ronald Josey

Analyst, Citigroup Global Markets, Inc.

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

Eric J. Sheridan

Analyst, Goldman Sachs & Co. LLC

Rich Greenfield

General Partner, Lightshed Ventures

Andrew Boone

Analyst, Citizens JMP Securities LLC

Thomas Champion

Analyst, Piper Sandler & Co.

Daniel Salmon

Analyst, New Street Research LLC

Benjamin Black

Analyst, Deutsche Bank Securities, Inc.

Alan Steven Gould

Analyst, Loop Capital Markets LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon. My name is Christa and I will be your conference operator today. At this time, I would like to welcome everyone to Reddit's Second Quarter 2024 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session.
[Operator Instructions] Thank you.

I would now like to turn the call over to Jesse Rose, Head of Investor Relations. Jesse, you may begin your conference.

Jesse Rose

Head-Investor Relations, Reddit, Inc.

Great. Thanks, Christa. Good afternoon, everyone. Welcome to Reddit's second quarter 2024 earnings conference call. Joining me today are Steve Huffman, Reddit's Co-Founder and CEO; Jen Wong, Reddit's COO; and Drew Voller, Reddit's CFO. Before we get started, I'd like to remind you that our remarks today will include forward-looking statements. Actual results may vary materially from those contemplated by these forward-looking statements. Information concerning risks, uncertainties and other factors that could cause these results to differ is included in our SEC filings. These forward-looking statements represent our outlook only as of the date of this call. We undertake no obligation to revise or update any forward-looking statements.

During this call, we will discuss both GAAP and non-GAAP financial measures. Reconciliation of GAAP to non-GAAP financial measures is set forth in our letter to shareholders. Our second quarter letter to shareholders and accompanying earnings press release are available on our Investor Relations website at investor.redditinc.com and investor relations subreddit, [r/RDDT](https://www.reddit.com/r/RDDT).

And now I'll turn the call over to Steve.

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

Hi everyone. Thank you for joining and welcome to our second quarter earnings call. Q2 was another strong quarter for Reddit and our communities. We kept up our momentum with both strong business performance and progress on the product. In Q2, both users and revenue grew over 50% year-over-year and for the second consecutive quarter, we had positive cash flow and we're profitable on an adjusted EBITDA basis.

User growth has continued to climb, reaching new heights with over 342 million active users and more than 91 million daily active users. More and more people are coming to Reddit to explore their interests, engage in conversations and find their communities. And increasingly, users are also turning to Reddit for answers to their questions via search, recognizing the authenticity and trustworthiness of our content across a wide variety of topics.

Our product work is focused on enhancing the user experience to make Reddit faster, safer and easier to use. Conversations are the heart of Reddit, and we've improved our app with near instant comment loading and more intuitive navigation across different post types, including text, video and images. The recent improvements bring users into conversations faster and more often, driving more engagement on the platform. The number of comments viewed reached a new high, up 10% from Q1 to Q2.

Over the years, we've hosted some notable Ask Me Anything sessions, ranging from US presidents to celebrities and sports figures to regular people with interesting stories. We introduced several updates to the AMA feature, making it easier for hosts to schedule and post and easier for users to participate. During the pilot, we've seen hundreds of new AMA's created, including those with high profile brands and artists. These product updates tie into our advertising strategy, allowing us to test new conversation ad placements and AMA ads, which are high intent services for brands and businesses to reach their audience.

As the platform continues to scale, so does our need for safety and moderation tools. Using AI, we are reducing the moderation burden and making Reddit's platforms safer at scale. We are evolving, but what the day to day looks like for moderators on Reddit, allowing them to spend more time engaging and growing their communities.

International expansion remains a top priority and one of our largest opportunities. 50% of our current user base is outside of the US and we believe we can scale this meaningfully over time. International growth was a key driver in Q2, both in users and revenue. International daily active users exceeded 45 million, growing 44% year-over-year and 11% from Q1. This was led by focused countries like France, India, the UK and the Philippines, where we're seeing good results with our growth strategies, including through machine translation.

Immersive machine translation is now widely available in French, and as a result, France was one of our fastest growing countries, surpassing growth in the US. We will now begin to expand machine translation to German, Spanish and Portuguese, aiming to make Reddit accessible to everyone, regardless of their native language.

Looking ahead, we're making progress across our emerging initiatives, including the user economy, search and data licensing. Starting with the user economy, we're excited to have our developer platform out to public beta with a few hundred active developers. In Q2, we saw growing engagement with about three times more custom post views than in Q1, including scoreboards and stock tickers in our international sports and investing communities. We're working towards enabling monetization within the developer platform to empower our users to create and earn money on the platform this year. I look forward to sharing more about this in the coming quarters.

Okay. Next, let's discuss our opportunity in search. Reddit's content is uniquely valuable and becoming more important in the context of Internet search. Users run over 1 billion search queries a month on Reddit today and our product work is improving the search experience and success rate on the platform. Later this year, we will begin testing new search result pages powered by AI to summarize and recommend content helping users dive deeper into products, shows, games and discover new communities on Reddit.

Turning to third-party search, we're seeing an evolution in the search ecosystem where Internet search, summarization and training are blending. We are seeking the right balance between openness and protecting our users and platform. Our partnerships with Google and OpenAI align with our public content policies and uphold our belief in the connected Internet, helping people find what they're looking for and to discover communities on Reddit.

Our preference is for Reddit to be open and indexed in third-party search, and we are in discussions with both big and small search engines towards this end. However, some players in ecosystem have not been transparent with their use of Reddit's content, and in those instances we've blocked access to protect Reddit content and user privacy. We believe the Internet and search are better with Reddit's content and we remain open to finding solutions that are mutually beneficial to our users, Reddit and the broader Internet community.

To wrap up, I'm happy with the progress we've made in our first two quarters as a public company. We're still early in our journey with many opportunities and opportunities for execution ahead to fulfill our mission.

Thank you again for joining for being a part of this journey with us. And now I'll hand it over to Jen.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

Okay. Thanks, Steve. Hello, everyone. Q2 was another strong quarter for revenue. Total revenue grew 54% year-over-year to \$281.2 million, an acceleration from the prior quarter and the fastest year-over-year growth rate since Q1 2022. The investments we made across the business continue to pay off and we're pleased with the results in the first half of the year. The ad business continued to scale in Q2 and accelerated from the prior quarter as we executed on our strategy and saw a stable ad market. Ad revenue grew 41% year-over-year to \$253.1 million. We made progress scaling and diversifying the business, expanding partnerships, and executing on our AdTech roadmap.

Let me discuss our ad revenue drivers. We saw double-digit year-over-year growth in impressions from personalized ad loads, underlying user growth and product enhancements to drive ad efficiency against a year-over-year decline in pricing. We continue to diversify our business across channels, verticals and geographies. The global scale channel, including mid-market and SMB, grew over 50% year-over-year, driven by both new advertiser activation and by deepening existing relationships. Strength in our verticals was led by retail, pharma and financial services, which each grew over 50% year-over-year. International revenue accelerated from the prior quarter and grew 49% year-over-year, driven by strength across large and mid-market customers in EMEA and the Big Six agency relationships were also growth drivers in the quarter.

Our Q2 growth was across the full funnel. Performance objectives drove more than half of our revenue in the quarter and we more than doubled the number of clicks again, as we continue to enhance the lower funnel capabilities of our full funnel advertising business. We made measurable progress against our AdTech roadmap in Q2. We focused on, number one, driving performance of our ad solutions; number two, improving usability for our advertisers and productivity for our salesforce; and number three, offering our advertisers Reddit unique solutions and bringing them closer to our communities.

And let me discuss each. First, driving performance of our ad solutions. We continued building out our conversion API ecosystem with a new partnership with mParticle. This adds to our partnerships with Google Tag Manager and Tealium as we execute our one to many approach for CAPI adoption. We launched a performance ad solution, Dynamic Product Ads or DPA to public data. Early adopters have seen about a 2x higher return on ad spend or ROAS compared to other conversion campaigns. It's still early for this solution, and we'll continue to invest in improving performance with this new solution. And we recently announced the acquisition of Memorable AI, which helps accelerate our roadmap to bring AI driven intelligence tools and ad creatives to our advertisers to help drive performance. With this acquisition, we're adding AI foundational models to our AdTech to help optimize creatives, and we are working toward integration, beginning to have impact next year.

Second, improving usability for our users and productivity for our salesforce. We've launched our Reddit Ads API to GA. Allowing partners and advertisers to integrate with Reddit ad manager and build customize campaigns and analytics, which help to expand our platform's reach. Sprinklr is the first marketing intelligence platform to integrate with both Reddit's Ads API and Data API, offering advertisers unique insights and capabilities. In Q2, we expanded our partnership with DoubleVerify and announced a new partnership with IAS to provide advertisers with brand safety and suitability measurements complementing our robust first-party brand safety controls and fostering transparency and trust with major brands.

Third, offering our advertisers unique Reddit unique solutions and bringing them closer to communities. We expanded ad placements on the conversation page, a high intent and valuable surface for both our users and advertisers, and where nearly 50% of all screen views occur. We launched the test of ads between comments and a new refreshed set of ad formats for conversation ads that are driving higher click-through rates in early testing. Advertisers using both in-feed and conversation ads experienced a lift in action intent compared to those using [indiscernible] (00:12:08) in-feed ads.

We also invested in bringing new content types to our users and offering businesses and advertisers new ways to reach and engage with communities. In Q2, we launched a next generation version of our Ask Me Anything, AMA product, resulting in hundreds of new AMAs created. Businesses are hosting AMA and promoting them with ads to engage with communities and to share more about their brands and products.

We also announced a partnership program which bring sports content to Reddit fan communities, including highlight videos, AMAs and behind the scenes material. This helps drive engagement on the platform and offers new ad formats and placements for our advertisers. Sports are a global interest and a category that our users are deeply passionate about. With over 1,000 active sports communities on Reddit, partnering with sports leagues was a natural place to start. And we'll see others program unfold later this year and consider how we might expand to other verticals and categories in the future.

Next, I'll shift to our data licensing business. Other revenue grew over 690% year-over-year to \$28.1 million, primarily driven by data licensing agreements signed in the first half of the year. This market is still evolving and we are exploring agreements with partners across the landscape who are aligned with our public content and user privacy policies and where there is commercial alignment. The recent partnerships with Sprinklr and OpenAI make Reddit's corpus of authentic conversations available for these partners to access while also putting guardrails in place that protect our users' privacy and Reddit's content. To-date, our data licensing strategy has focused on marketing, intelligence platforms and large scale enterprise technology and search companies. We made good progress addressing these markets. We'll continue to explore opportunities with new verticals and potential ways to work with additional large and smaller scale emerging AI companies. Overall, this was a good first half of the year for Reddit, and we've made a lot of progress. Our focus now turns to the back half of the year as we work to continue growing the business.

Now I'll turn the call over to Drew.

Drew Vollero

Chief Financial Officer, Reddit, Inc.

Thank you, Jen, and good afternoon, everyone. Reddit delivered very strong second quarter results across the board, which builds on the sound start in Q1 and rounded out a solid first half of the year. In the quarter, three key financial themes developed. First, our most important growth in cost metrics really shined. Second, our profitability continues to inflect rapidly as our business scales. Third, we saw continued traction on important economic drivers like cash flow, CapEx, dilution and stock-based compensation.

Let's speak to each point starting first with strength in key metrics, specifically users, revenues, gross margins and OpEx. We saw really solid growth in the quarter with both user growth and revenue growth exceeding 50% year-over-year. DAUq was 91.2 million, up 51%. Logged-out users were about 70% of the in-quarter growth, but total logged-in users grew 31% year-over-year, the fastest rate in the last few years.

Revenues were \$281 million, up 54% as impression gains continue to fuel our growth. Ad revenue grew 41% in Q2, while other revenue grew over 690%, primarily driven by new licensing deals with Google, OpenAI and others. Margin growth also really shined in the quarter. Gross margins were nearly 90%, up from 84% in the prior year, driven by operating efficiencies, lower pricing from our cloud hosting contracts and the leverage from incremental revenues.

For Q2, our 12% adjusted OpEx cost growth is very consistent with last four quarters, where adjusted OpEx growth has averaged about 9%. The company continues to leverage the organizational scale it's built over the last few years as we targeted modest hiring in the front of house areas like AdTech, machine learning and sales. Total head count was up less than 1% sequentially and 3% year-over-year. So as you can see, terrific traction on key metrics.

Second, let me touch on how profitability is inflecting rapidly as the business scales. On a GAAP basis, our net loss was \$10 million, \$31 million better than prior year and very solid progress against our internal goal of reaching GAAP breakeven. Q2 adjusted EBITDA was nearly \$40 million, up \$30 million sequentially and up \$75 million year-over-year. Adjusted EBITDA margins reached the mid-double-digit level at 14%, up from 4% in Q1 and negative 19% in the prior year.

The keys to our significant gains in profitability continue to be both execution and our strong economic model. Revenue grew over 5 times as fast as total adjusted costs in Q2, similar to Q1, as revenues grew 54% year-over-year and total adjusted costs grew slightly less than 11% year-over-year. That's well ahead of our long-term internal goal of revenue growth twice as fast as total adjusted cost growth.

Now relatedly, our incremental adjusted EBITDA margins were 76% for the quarter, slightly higher than our last four quarter average of 73%. In Q2, we saw a \$75 million positive change in adjusted EBITDA on a \$98 million change in revenue.

Now to the third point, we're not only seeing good traction in areas like growth and costs, but also on important metrics like cash flow, CapEx, stock-based compensation and dilution. Operating cash flow was \$28 million in Q2, an \$82 million positive change from Q2 of 2023. For the first half of the year, positive operating cash flow was \$60 million.

Our CapEx remains very light, about \$1 million in the second quarter, less than 1% of revenue. Stock-based compensation, including related taxes, was \$67 million, down substantially from the last quarter due to the recognition of IPO-related stock expenses. Stock-based compensation was about 24% of revenue for the quarter.

Share count movements were modest in Q2 as basic shares outstanding were \$166 million, up 1% sequentially, but fully diluted shares were \$205 million, down sequentially. On the other hand, cash was \$1.7 billion, which gives us a lot of flexibility as our business scales into profitability and positive cash flow. Medium term, we believe the right amount of cash on hand for the business today is around \$800 million to \$1 billion. The company will look to deploy capital where it makes sense over time with capital priorities being; first, investing in our business, M&A and share repurchases.

As Jen mentioned, we recently completed and announced the acquisition of Memorable AI, an ad creative optimization platform, to help drive lower funnel performance for our advertisers. The preliminary purchase price consideration was \$19.9 million, including \$17.1 million of cash. The deal closed in late July and will be reflected in the Q3 financial statements. As we look ahead, we'll share our internal thoughts on revenue and adjusted EBITDA for the third quarter, where we have the greatest [ph] state of (00:19:58) visibility.

For the third quarter 2024, we estimate revenue in the range of \$290 million to \$310 million and adjusted EBITDA in the range of \$40 million to \$60 million. These estimates include the anticipated benefits from the recently signed content partnerships with the sports leagues. We anticipate these deals will contribute modestly to revenue this year, more in Q4 than Q3 and should have a greater financial impact in 2025 and beyond.

So, to summarize, the strength and consistency of the numbers were nice to see throughout the first half of 2024. Both Q1 and Q2 were solid quarters for Reddit. That said, our business historically scales seasonally and we've turned our attention and focus to the back half of 2024.

Now let me turn the call over to Steve.

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

Thanks, Drew. Thanks, Jen. Okay. We're going to do two questions from our community and then we'll open it up to everybody else.

First question, in past interviews, you have mentioned using large language models to translate Reddit's content into other languages to better connect Reddit's communities internationally. Is this something that is being actively built or just a vision for a distant future.

So, it's something that's being built. It's testing and for French, which was our first language for doing this, it's now in GA, or general availability, which means if you're in France, speaking French minus a small holdout group, you can see the full immersive real-time translation experience and it's working very well.

So now we're kicking off German, Spanish and Portuguese with our aim to get those out later this year as well. Long story short, the test was successful. This is a really promising feature. And so, it's real and I think it should have an impact in the short term.

Second question, I'll read and this one's for Jen. Advertising is the prime source of revenue for Reddit. To increase this revenue, do you plan to focus on increasing the quantity, number of ads, or quality, profit generated per ad, of ads featured on Reddit?

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

Hi Steve. So, what's important to growing revenue in our auction is that advertisers find the outcomes they want at the volumes and price they want. And our ads platform and marketplace is still early, still young. So we do see opportunity to drive more demand and performance which can drive more value per ad or CPM, cost per thousand impressions.

Ads load on Reddit, [ph] well, (00:22:41) there are ad today, like in the feed, for example, is light compared to peers. And the best we can tell outside in is about half of peer platforms. But there are still many places on Reddit without ads today. So, we're more focused on designing ads for spaces where users are spending more time versus increasing ad load in existing spaces. So, for example, 50% of screen views, they're now in conversation stages, that's an opportunity.

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

Okay. Thanks, Jen. For the community questions, Jen, Drew and I will record answers to the rest of them and post them tomorrow. Okay. Jesse, back to you.

Jesse Rose

Head-Investor Relations, Reddit, Inc.

Great. Thanks, Steve. Thanks, Jen. Christa, why don't we open up the line, take some questions from the folks that are on the line now. Appreciate it.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Doug Anmuth from JPMorgan. Please go ahead.

Doug Anmuth

Analyst, JPMorgan Securities LLC

Q

Great. Thanks for taking the questions. One for Drew and one for Steve. Drew, I was hoping you could provide some more color on the 3Q guide, in particular, any more insight into the ad market and the health in the third quarter. It looks like the revenue outlook is either very conservative or perhaps you're seeing something in the business because if you back out OpenAI incremental contribution and then perhaps even some of the sports league benefits as well, it doesn't suggest much sequential growth in revenue. So, I was just checking if there's anything to call out there.

And then, Steve, you talked about testing new search results pages. Can you just elaborate there? Is this going to be done all internally? Or are you partnering with third-party providers here as well? Thanks.

Drew Vollero

Chief Financial Officer, Reddit, Inc.

A

Okay. On the guide, Doug here, we guided \$290 million to \$310 million. If you take the midpoint of that, year-over-year growth is mid-40s. We think that's a good number. We think that's differentiated versus the [ph] peer set (00:24:55). If you look over the last four quarters, we've been growing in the mid- to high-30s. So, [ph] we can see, like (00:25:00), it's a differentiated number. I take your point that your measurement stake is a bit different. You're looking just only at the second quarter. So, I take your point there.

In terms of the revenue drivers that you're looking at sort of the incrementality of them, look, I think that the sports deals are something it's probably a bigger idea for us in 2025 and beyond. We have to get that sold through our sales force, et cetera. So, I would look for a very modest impact in Q3. I think we'll have a little bit more, particularly with the NFL in the fourth quarter, that's kind of the main part of the NFL season. So, I think that incrementality in the third quarter will be pretty modest.

As it relates to kind of OpenAI, we saw about half the benefit of the deal in the second quarter. So, there will be a little bit of incrementality to your point. But overall, I think the guide feels good. Are there particular things that we're looking at in the third quarter that we can put our finger on? No, there isn't anything that's particularly

different than what we've seen. Now for the full year, there still is some macro uncertainty and particularly in the fourth quarter around elections. So, I think that's a little bit in the background. But I think overall in the third quarter, I think the guide feels good to where the business is right now, feels better than where we've been over the last four quarters. But I do take your point, it's a little bit lower than we've been in the second quarter, but I think we take a little broader lens [ph] than that (00:26:18).

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Okay. Thanks, Doug. Second question about search. So, we're talking about on Reddit Search. A lot of our work over the last couple of years has been on the back end, so improving the actual results, so the speed and relevance of those results. Some of that is on first-party technology, some of that is third-party technology. We're also beginning to enhance the results with AI, again, some of those are first-party models. Some of those will be third-party models. And what I was really referring to in my script is the rest of this year, we'll start to see the front-end product actually change, so the user experience and how we package these results, because that's gone unchanged for a long time.

Search on Reddit is a huge opportunity. Many new users [ph] want to (00:27:10) search. You've heard me talk about onboarding, helping connect users to their interests on Reddit. For many users, they're literally typing into a box exactly what they're interested in. So it's, I think, really important consumer product service area. And then, of course, over the long term, there's significant advertising potential there as well. But really, what I'm referring to here is it will be our in-house efforts to improve the presentation of that product.

Operator: Your next question comes from the line of Laura Martin with Needham & Company. Please go ahead.

Laura Martin

Analyst, Needham & Company, LLC

Q

I will obey your request to only have one question. So I'm going to ask one of Steve. Putting on your protector of culture hat, Steve, historically, these are conversations and there hasn't been a hidden agenda about earning money. And you guys are going to try to earn money now for people and creators on the platform, which sort of moves it more towards a Twitter or a YouTube in my mind. So, how do you protect this wonderful unique culture of Reddit? At the same time, you're going to let people make money from these conversations. Thank you.

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Thank you, Laura. Great question. So yeah, I think one of the truly special and honestly, almost magical things about Reddit is the amount of time and effort people spend helping each other, giving advice, helping people through decisions sometimes small decisions, what should I watch tonight; sometimes big decisions, like should I go through this breakup. It's really, I think, truly profound.

Your question is if we start to include other incentives in there, like monetary incentives, does that change? In my experience on Reddit, whenever we add basically a new way of using Reddit, what happens is it expands Reddit, but we've not seen it cannibalize existing Reddit. And so, I think the existing altruistic-free version of Reddit will continue to exist and grow and thrive, just the way it has. But now we will unlock the door for new use cases, new types of subreddits that can be built that may have exclusive content or private areas, things of that nature.

A good example of this, for example is, Reddit, we didn't host images back in the past. It was all text and links and images were linked. So, we'd link to other websites or platforms for images. When we added image hosting, all of

a sudden, there's a ton of new communities built around that feature, but the existing text and link-based Reddit also continued to grow. So, I'd look at this as an opportunity of expansion as opposed to one that is going to cannibalize the existing Reddit, which, as I said, is magical. It's something that we think is truly precious. And so, we'll, of course, watch these things closely, but that's how we see it playing out.

Operator: Your next question comes from the line of Ron Josey with Citi. Please go ahead.

Ronald Josey

Analyst, Citigroup Global Markets, Inc.

Q

Great. Thanks for taking the question. I wanted to ask on usage and [ph] then (00:30:29) advertising. Steve, I think we saw logged-in DAUs up 32%, maybe amongst the fastest growth in the past couple of years and we saw comments also – comments viewed, I think, up as well. So, I wanted to hear about the changes the team has made on the site itself, whether it be Shred-it, new onboarding processes that have driven this and really curious about the lasting implications here.

And then, Jen, you mentioned the stable ad market. We saw each other a few weeks back [ph] over a con (00:30:56). And just wanted to hear how your conversations with advertisers have evolved really over the past few months just in terms of how the dynamic has changed in terms of advertising on Reddit. Thank you.

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Okay. Hey, Ron. Thank you for the questions. Yes, as you observed, logs in DAU is up over 30% last year. That is indeed our fastest growth rate among that segment in years. So, we're very happy with that. And you answered your own question, improved onboarding, Shred-it, which represents web performance. I would say broadly a general push around quality on Reddit has helped a lot. And then there is a structural change that we've been going through over the last couple of years, which is it used to be when you're a new user to Reddit, we were putting you into basically global feed. So we call that the popular feed today. That was the core Reddit product for the first maybe 15 years of our life. And now what happens is we get you into the community onboarding experience. And so, we try to find the interests specific to you and then we put you in a home feed that has those communities and subreddits and we grow from there. And so that first user experience has gotten much more dialed in and relevant to new users, which has been driving meaningful improvements to new user retention and of course, that compounds and the growth.

And so, the story of Reddit, I think for a long time is we've had this very big top of funnel from third-party search and word of mouth. And the question has been, can we retain those users because we get so many Shots on Goal every day. So really, over the last year, we've gotten much better at retaining new users and we've been growing over 1 million users a month, more or less since spring of last year.

Operator: Your next question....

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Jen, there was a second question on the stable ad market.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Yeah, I think we saw a stable ad market in Q2, Ron. I'd say post [ph] Can – I think, first of all, I think Can (00:33:06) has very strong sentiment [ph] post-Can (00:33:13) working with Shred-it is a very, very positive. Look, we're watching a few things. We're watching inflation, geopolitics, elections.

I will say a few things. One, there are real election jitters. We did see some pauses in the UK around the snap election, we saw pauses around the time of the Trump rally shooting. So, I think there's a lot of caution. I will also say that recently, agencies have signaled a little bit of back half caution on budgets being more flattish versus growing. So, I think there is caution from the large holdcos and we're not a big player in political ads, which some might have a political bump, but that's not something that we play in. That's kind of how I think about the back half. So overall, I think it is – if there's still a little bit maybe more cautious but I think we're still well positioned.

Operator: Your next question comes from the line of Brian Nowak with Morgan Stanley. Please go ahead.

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

Q

Great. Thanks for taking my question. Let me go back to the ad markets. Jen, can you talk to us about sort of what you're seeing on your branded advertiser spend? Are you still seeing your advertisers for most of your branded spend? Are they spending more on the branded side? If so, sort of what's driving that? And then just sort of any update you can give us, I remember from the pre-IPO of walk us through sort of progress on growing your advertiser count, growing your advertiser spend, your advertiser spend per advertiser over time. Anything you kind of help us kind of what's going on actually beneath the headlines on driving this really strong ad growth in the 3Q.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Sure. Happy to. So just on your question on the brand. Brand, as an objective was growing really nicely for us. And in fact, I think brand, we've seen both folks come into the auction, so fitting against brand objectives as well as using our takeover product, which is a reserve product where they can align against specific subreddits, so specifically the category takeovers, you can buy category like sports, et cetera. So, we see brand advertisers come into both of those products as well as nice adoption of some of the Reddit unique formats like AMAs that have been refreshed in the free format. So, brand has actually been solid as an objective, and there is really diversified spend across brand and performance.

In terms of the underlying [ph] thesis (00:36:01) of our business, I think it's really healthy in a number of ways. So, number one is we've been growing the number of active advertisers, particularly in the managed segment that has for large customers in mid-market and managed SMB. And those are really seeds for the future because you start small and you can grow those advertisers in some more products and more objectives. So that, I think, allows us to plant seeds for the future.

The second is we had a number of growth drivers across our business. The scale part, mid-market and SMB growing over 50%, international becoming a growth driver, 49% year-over-year, vertical diversification. So, it used to be that our tech group was our number one vertical group. This quarter, it actually was the group that included retail, pharma, financial services, CPG, so really interesting. That diversification continues in our booking, it's actually changing the face of our book, I think, which has been really positive.

And then the final thing I'll say is we've been investing in the lower funnel and specifically [ph] conversions (00:37:15) and that has accelerated in growth as an objective in our auction. So that's really nice to see because

as that objective delivers more performance, that allows an unlock for more advertisers, particularly in the scale channel. So, I think the business is really healthy. We're doing a good job retaining at high rates our managed advertisers as well as adding new advertisers to the book because of the new platform capabilities.

Operator: Your next question comes from the line of Eric Sheridan with Goldman Sachs. Please go ahead.

Eric J. Sheridan

Analyst, Goldman Sachs & Co. LLC

Q

Thanks so much for taking the question. The topic really is Memorable AI. Can you talk a little bit about why you felt that was the right asset for you as a team to acquire? How you thought about building organically around that broader theme versus maybe accelerating the path to market and going down the acquisition route and how we should be thinking about that as that being integrated and having an impact on the business in the years ahead. Thanks so much.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Sure. So, one of the layers in our ad stack that we want to develop and that was on our road map is around creative, both insights and optimization and then creative generation. We know that, that can be really valuable for driving performance and also just making an easier, more automated, scalable experience for advertisers. It is something that we had on our road map that we could build, but acquiring Memorable, which is one of the leaders in the market, I mean, all of our due diligence just showed how much customers value their technology and insight. It just accelerates our ability to add this part of the ad stack. So, we're integrating – we get technology and talent with the acquisition and we're doing that integration work in the back half of this year to start having impact next year, but it will really accelerate our ability to deliver performance at the lower end of the funnel, in particular. I mean, it'll help all the performance, but particularly at the lower end of – the lower funnel, where ad formats and creative can have a lot of impact on click-through rates and conversions.

Operator: Your next question comes from the line of Rich Greenfield with Lightshed. Please go ahead.

Rich Greenfield

General Partner, Lightshed Ventures

Q

Hi, thanks. I got a couple of questions. Steve, you talked about sort of the improving engagement in sort of that upper funnel, which I assume you're talking about sort of how search drives people into the platform. But your DAU – or your weekly users are still growing faster than your daily users. And I guess, the question is, how do you close that gap over time? Is it product changes? Like, it's obviously great that you have all of these people coming and touching Reddit every single week, but how do you get them to be addicted and become daily active users? What is that? Like, is there something that you've seen historically that sort of converts somebody from either a search-based user or someone who comes in once in a while to it an actual daily user?

And then just two, I wanted to follow-up on I think you've made a comment about CPMs pricing being down. Is that the same issue that you sort of are seeing in ARPU? Is it just simply that the users year-over-year are just growing too quickly and you can't keep up with the overall growth of the platform? Any just color on given how early you are, what's happening on the CPM side of pricing on the advertising side from Jen would be great.

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Great. Okay. Hey, Rich. Thanks. I'll take the first half, Jen will take the second half. So, look, first things first, we're happy with growth. Weekly is growing, daily is growing, logged-in, logged-out growing. So I think, we're in a good position there. I think, your observation is correct. Weeklys and of course, monthlys even more so, can be more volatile because they can be more affected by third-party search or events in the news and what have you. And of course, we want to grow dailys, and that's really how we operate the company, is growing dailys. But we don't think necessarily about how do we convert weekly to dailys. We think about it a little bit differently, which is how do we retain the dailys that we see on the platform every day, both the new users, getting them to come back at all and the core users getting them to come back more. And our work there is, it's hard work, but it's easy to explain, relevancy, ML, onboarding, product quality.

Do you see something – a very simple question? Do you see something in your first session on Reddit that is uniquely engaging? One assumption that I would caution against making is that search users, third-party search users, many of them are core users. So, they're using other search engines to effectively navigate Reddit, and I include myself in that cohort. But there are a number of logged-out users or new potential users that come from search. And I think of that experience is their learning that Reddit, over time, has the answers to their questions. They may not be in that session looking to join a community. That's maybe a little bit of a heavier experience. But eventually, we get them through the front door. They'll come, they'll download our app, they'll come to the website and then that's where everything I mentioned around relevancy and product quality come into play to retain those users. And we're growing retention and we're growing DAU. So, we're happy with that result.

And then there's another interesting dynamic on Reddit, which is the longer somebody has their account, the more time they actually spend on Reddit. They join more communities and they go deeper and deeper. And so, users on Reddit where they maybe on other platforms age out, they actually age into Reddit and spend more time over the course of years. So I think this is a really powerful trend.

Okay. Jen, the second half of the question was the interplay between users and ARPU and users and CPM.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Sure. So, Richard, look, nobody manages in the company ARPU. We managed revenue growth and we managed the DAU growth. And we're, in the, I think, fortunate position of having really strong revenue and user growth with users being a little bit more and that's why ARPU was down. But I think when I look at the headroom that we have, I think we've been growing share, been a top grower on the revenue side and I think, continue to have headroom on ARPU. So, I think it may be a first-class problem that we have and the math of ARPU.

On the CPM side, what's really driving the decline in CPMs is the placement on the conversation page. So that's a newer unit that – and so there is right now, we're still building demand for that unit. And there're couple of things we're doing to do that. So one is educating the market about that unit. It's very unique. It's very different than anything else in market. In fact, most people don't – most platforms don't have an [ph] add-in comment, partially (00:44:44) because the comments aren't the best part of their platform. They are the best part of Reddit, but there's some re-education to be done.

The second is that we've actually refreshed that format so that it has a broader set of creative capability. One of the things that our advertisers wanted is just a little more functionality in that format. So we've recently released that and they'll be able to take advantage of it. I think that can increase demand.

And then finally, we're testing ads inside the comments. So that adds some more inventory to that page that there's very low demand for it because it's in testing, it's very new, it's just experimental. So obviously that [ph]

would we have (00:45:25) high CPMs in that unit yet. So when you look at the page, I think, I mentioned earlier that 50% of screen views are now on the conversation page. So the traffic is really going to that page, which is a great high intent, highly contextual page. But we have to match the demand to the flow of the ad impressions on that page. So we're continuing to grow the demand on this new unit. I think it's a really good unit, high performing, but it'll take time for the demand to catch up with the supply that's been generated. That's why you see the differential in CPMs.

Operator: Your next question comes from the line of Andrew Boone with JMP Securities. Please go ahead.

Andrew Boone

Analyst, Citizens JMP Securities LLC

Q

Thanks so much for taking my questions. You guys have seen an influx of new users just via search, as well as just an improved products. Steve, you mentioned this earlier about the maturation of new user cohorts and how people spend more time. Are you seeing anything different with new users more recently? And then, Jen, retail is just a massive opportunity. Can you talk about DPAs and what you guys need to do to unlock the retail advertising opportunity more acutely? Thanks so much.

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Okay. Thanks, Andrew. Me first then Jen. Okay. So the question was, are we seeing anything in the latest cohort of new users. Broadly, we're seeing new user retention go up. That's one of our core internal operating metrics. And I think that's really a measurement of is onboarding working, is the performance ML, relevance, all of those things working. And so we've actually seen over the last couple of quarters steady improvement in new user retention, which we're very happy with. In my experience at Reddit, that is the hardest number to move because you can't always see it in an individual experiments. So you have to kind of let these product improvements run for a while. But our strategy of just make Reddit better, simpler, faster, safer, easier to use, that's been working for the last year. So happy with the new user retention, particularly among that new cohort.

Jen, the question was about the retail opportunity on Reddit.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Yeah, I think the questions is about DPA. Look, I think this is a really big opportunity given the commercial intent on Reddit, but it's also one of the hardest, right, in the industry. Dynamic product ads, they have their – it's its own objectives. It has its own models and prediction models and it has its own end-to-end workflow from ingesting catalogs all the way to how measurement is done at a detailed level to feedback product level information for the targeting and retargeting. So it is a big ecosystem unto itself.

So what we're working on is, one, improving our models, [ph] improve (00:48:26) driving performance. Number two, CAPI, it's a conversion API, incredibly important for signal and feeding signal into the models for better and better performance. Third is enabling first party data from an advertiser to match into our platform for targeting. And then obviously on the measurement side, they have very specific audiences, maybe loyalty programs for some cases like retail, media networks that they want to be able to target against. And then finally, just continuing to improve both the format and the catalog ingest. So we can adjust catalogs today. But we want to make that process easier and even more scalable. So we are working across all of these areas to continue to improve DPA. I will just say it is – our goal for this year is to test with a handful of partners and really build the foundations of

DPA, so that it can be a more material contributor to the business in 2025 and beyond. It is a longer road, but I think a big opportunity.

Operator: Your next question comes from the line of Tom Champion with Piper Sandler. Please go ahead.

Thomas Champion

Analyst, Piper Sandler & Co.

Q

Good afternoon. Steve, you've talked in the past about the most reliable way to grow is to make Reddit better. So I'm just curious between sports content, subreddit functionality, search, text translation, the laundry list of things you guys are working on, what do you think has the potential to be the most impactful from a customer experience perspective? Thanks.

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Thanks, Tom. Good question. I'd say there are broadly two dimensions to this or kind of two ways I think about it. So the first is like the general quality. And so this is call it the search experience, onboarding, ease of use. In mature markets like the US, which is actually still one of our fastest growing markets, product quality has an outsized impact because the content is already there. If you speak English, if you live in America, I guarantee you have a home on Reddit. Your interests, your passion, whatever you're into or going through is on Reddit somewhere. So the question is can we reveal that? And so anything we do around onboarding and relevance more effectively reveals that. And so that's driving a lot of the growth in the US.

Now, outside of the US, we need the content base to grow. So machine translation is one of the best opportunities we've ever seen to rapidly grow the content base outside of English. So I've mentioned this over the last couple of quarters, our tests in French, that went very well. We're expanding to other languages. So I think this is a very exciting opportunity. Now, of course, all of the quality and onboarding efforts, that works – that will work in every market but you have to have the content base, the community base to recommend people too. And so that's where the machine translation is really effective. So to summarize, in the US, it's the block and tackle product quality work and outside of the US it's the machine translation to get them to the point where the quality can be like a multiplier effect on top of that.

Operator: Your next question comes from the line of Dan Salmon with New Street Research. Please go ahead.

Daniel Salmon

Analyst, New Street Research LLC

Q

All right. Great. Good afternoon, everyone. Steve, you've talked a lot about search and third party search and the relationship with model training and [ph] thus your (00:52:23) data licensing business. You also talked about beginning to restrict access to Reddit content in some cases. We have seen news reports that that includes Microsoft Bing. I'm sure you don't want to speak too much in detail about one potential partner, but is that an example of the type of back and forth that's beginning to transpire with some of your potential partners? Or just more broadly, can you take us a layer deeper in those conversations and tell us a little bit more about the variables that tend to be the more important ones in those dialogues? Thanks.

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Sure. Thanks, Dan. So, look, the corpus of content on Reddit is super valuable. The old status quo, so search engines [ph] crawl (00:53:10) us, index us, put us in search. Everybody wins in that. The consumer finds content, we get some users, the search businesses grow. Reddit in that era was the most open. By the way, I think, Reddit is still the most open of our peers. But what's changed is folks are calling Reddit for training and other use cases that we can't see. And so, we can no longer assume intent or what Reddit's data is being used for. And so, we went from a situation of being default open to default blocking [ph] crawls (00:53:43). Now we're still open for users. You don't even have to have an account to see Reddit. And we still make our corpus available for free for noncommercial use. And our preference is for Reddit content to be out there, to be open and indexed, but it has to come with important terms.

And so we created a public content policy. We released that a couple of months ago. And it basically speaks to user privacy, not using Reddit data to identify users or target ads to them, you can't resell the data because, again, we want to know where Reddit data is going and what it's being used for. And so those are the terms of engagement.

Now we've had some big players sign up for that. We've had some medium and small players sign up for that as well. And we still make Reddit available for free for researchers and noncommercial use, but the ecosystem has changed. I'd say it's a dynamic market for sure. All of our conversations are ongoing. Look, I think, as I said many times, our preference is to have relationships with everybody, but we need to be very considered of where Reddit data goes and what it's used for.

Operator: Your next question comes from the line of Benjamin Black with Deutsche Bank. Please go ahead.

Benjamin Black

Analyst, Deutsche Bank Securities, Inc.

Q

Great. Thanks for the question. So on the developer platform, so opening up the monetization is coming earlier than we anticipated. So can you talk a little bit more about the results from the public beta and what surprised you to the upside, for instance? And then Drew, quickly on margins, the flow through was, I think, 76% the last couple quarters. The midpoint of 3Q guide implies a bit of a step down. Is there some conservatism built in? Or maybe just more broadly, talk us through the swing factors embedded in your EBITDA guide. Thank you.

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Okay. Yes, thanks, Ben. First question on dev platform, so the beta is going nicely. So we are in closed beta for most of this year. We're still iterating on the technology. It's one of the more complex things we've built because we're effectively running user code both on our servers and on the client side. That's in public beta now. We've got a few hundred developers playing with it.

There's some cool stuff in the works. So, I'm excited to see where users take it. Our aim for this year is to both get some of these dev platform apps kind of at scale out there. We see some fun ones of scoreboard, stock tickers and Wallstreetbets, things like that. I'd love – I'd be very excited to see some of these more interactive ones and I'll be very, very excited to see somebody build something that we didn't anticipate, which is kind of a common story of Reddit is users surprising us. So, one milestone we're looking for is that surprise.

And then the other milestone we're looking for is just to connect the dots on monetization. And so really getting an end-to-end prototype where a user can basically buy something through a developer platform app written by

another user. So, I can't promise scale or anything like that this year. But getting to that kind of end-to-end proof-of-concept will be, I think, a really important milestone, but we're making nice progress towards that.

Drew, the second question was about margin and flow-through Q3.

Drew Vollero

Chief Financial Officer, Reddit, Inc.

A

Yeah. Look, it's really been a good run for us last four quarters, as you mentioned, 73%, 76% last quarter. Look, there's nothing enormous going on. There's a couple of things on the margin. When the guide itself sort of has, I think, an incremental margin in more of the 60s range, there's a couple of things in between that are happening. I mean, I think, again, incremental revenues are our friends. The guide is a little higher than where we were in the second quarter, \$281 million. So, we'll pick up something there, which is nice. I think there's a couple of things to think about as you think about our margin structure. But again, just small stuff on the margin, a nice benefit that we got over the last 12 months has been contract prices on hosting. And so, we signed those contracts in kind of mid-third quarter last year. We've enjoyed kind of a full year of those benefits. You remember, our gross margins were up 500 basis points in the second quarter. We'll start to lap that contract pricing now here in the third quarter. So that will be a little bit of a – we won't see the benefit that we have seen over the last four quarters on that.

Again, a couple of other small things in the margin. The company pays raises typically in the third quarter. So, there'll be a little bit more on the cost structure there, again, on the margin, small stuff. And then also we hire a bit more in the third quarter. Historically, we have a lot of folks that come in, the folks that we've hired from universities typically start during that time. So, it's a little bit on the margin again. So, nothing huge. Maybe a couple of points lower, we'll see, sort of you can do the math around kind of what the guide margin is. But overall, there's nothing significant in the quarter. There's a little bit also in the model for business translation, right? So, we're starting to translate, as Steve said, some of the markets into foreign languages. There's some hosting costs associated with that as well. So those are the things, but no huge change right now in the margin structure.

Operator: Our final question today comes from Alan Gould with Loop Capital. Please go ahead.

Alan Steven Gould

Analyst, Loop Capital Markets LLC

Q

Thanks for taking the questions. I've got two. First, what impact has Olympics and political historically had for you on users engagement? I'm assuming not much on revenue. And the second one for Drew is that cash guide that your cash goal of \$800 million to \$1 billion is significantly less than what you now. I'm assuming that's a multi-year period to get to that.

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Okay. Thanks, Alan. First question, maybe, Jen and I'll tag team that real quick. So there are certainly moments in the world that are huge, right, Olympics, elections, major sporting events like the Super Bowl has been a big one on Reddit. What we've seen and we've seen this for a long time is there's always some subreddit on Reddit that's having a moment that's twice as large as they were yesterday or sometimes significantly more. But when you zoom out our traffic doesn't fluctuate that much because there are many thousands of subreddits. And so somebody is always having a moment, somebody is always growing but our traffic is actually pretty steady despite kind of feeling that activity on the Internet or even feeling it on Reddit.

Jen, is there anything to add from a kind of revenue point of view around these events?

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

No, I mean, we don't play in political ads, so there's not a bump from that, not a focus for us. And something like Olympics, I think, tracks to, Steve, what you just said, which is there's always these moments happening on Reddit, but overall they kind of smooth out and that's how it reflects in the revenue. Those are opportunities – sales opportunities, but they tend to smooth out because there's moments happening in different parts of Reddit throughout the year.

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Okay. And the final question with Drew.

Drew Vollero

Chief Financial Officer, Reddit, Inc.

A

Yeah, on the on the cash side, you're right, Alan, thanks for the question. \$800 million to \$1 billion is how we think about things over the medium term. We wanted to dimensionalize the cash that we have in the balance sheet right now at \$1.7 billion. I gave you a sense on kind of the cash flow over the last couple of quarters, which has been positive and nice. So the cash is starting to build. We also wanted to give you a sense on how we think about the priorities here. The first priority will be and continues to be investing in the business. There aren't huge ideas right now from a capital investment perspective. And so we're also starting to look at M&A. You saw us tuck-in Memorable in the quarter, so there's money available for that. And then sort of we'll start to think about share repurchases as we move forward as well. So those are sort of the capital priorities.

I think of \$800 million to \$1 billion is sort of how we look at our business from a stress test perspective. We think that's the right amount of cash. Obviously, we have a credit facility behind it, too. So I think the company has a lot of capitalization and certainly has liquidity to do what it wants. But I wanted to start dimensionalize a little bit for you how we think about what cash might be available for things like M&A and share repurchases in the future.

Jesse Rose

Head-Investor Relations, Reddit, Inc.

Great. Thanks, Christa, thanks everyone for joining. We'll look forward to keeping the dialogue open. Take care.

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

Appreciate it, folks, see you.

Drew Vollero

Chief Financial Officer, Reddit, Inc.

Thank you.

Operator: And this concludes today's conference call. Thank you for your participation and you may now disconnect.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2024 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.

Reddit, Inc.(RDDT-US) Schedules Q2 2024 Earnings Release for 6-August-2024 4:03 PM ET
Thursday, July 11, 2024 12:56:09 AM (GMT)

Reddit, Inc.(RDDT-US) Schedules Q2 2024 Earnings Release for 6-August-2024 4:03 PM ET.

Press Release URL: <https://investor.reddittinc.com/news-events/news-releases/news-details/2024/Reddit-Announces-Second-Quarter-2024-Results/default.aspx>

Reddit, Inc.
303 2nd Street, South Tower
5th floor
San Francisco, CA 94107 US
<http://www.reddittinc.com>

Investor Relations Contact(s):
Jesse Rose

Copyright 2024 FactSet Research Systems, Inc. All Rights Reserved.

Event Type: Earnings Release

Industries: Internet

Primary Identifiers: RDDT-US

Regions: US

Related Identifiers: RDDT-US

**Reddit, Inc.(RDDT-US) Schedules Q2 2024 Earnings Call for 6-August-2024 5:00 PM ET
Thursday, July 11, 2024 12:56:09 AM (GMT)**

Reddit, Inc.(RDDT-US) Schedules Q2 2024 Earnings Call for 6-August-2024 5:00 PM ET.

Press Release URL: https://s203.q4cdn.com/380862485/files/doc_news/Reddit-Announces-Second-Quarter-2024-Results-2024.pdf

Live WebCast URL: <https://events.q4inc.com/attendee/596842340>

Replay WebCast URL: <https://events.q4inc.com/attendee/596842340>

Reddit, Inc.
303 2nd Street, South Tower
5th floor
San Francisco, CA 94107 US
<http://www.redditinc.com>

Investor Relations Contact(s):
Jesse Rose

Copyright 2024 FactSet Research Systems, Inc. All Rights Reserved.

Event Type: Earnings/Results

Industries: Internet

Primary Identifiers: RDDT-US

Regions: US

Related Identifiers: RDDT-US

20-May-2024

Reddit, Inc. (RDDT)

J.P. Morgan Global Technology, Media and Communications Conference

CORPORATE PARTICIPANTS

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

OTHER PARTICIPANTS

Doug Anmuth

Analyst, JPMorgan Securities LLC

MANAGEMENT DISCUSSION SECTION

Doug Anmuth

Analyst, JPMorgan Securities LLC

All right. We're going to go ahead and get started. I'm Doug Anmuth, JPMorgan's Internet Analyst. We're pleased to have with us today Reddit Co-Founder and CEO, Steve Huffman. So, Reddit is a global digital city built on connecting people to communities. It has more than 100,000 active communities or subreddits where users go to share information, learn and engage around specific topics and interests. Reddit reaches around 83 million users daily, more than 300 million users weekly. We estimate the company will do more than \$1.1 billion in revenue this year, almost all of which has been advertising until now, but there's also a rapidly growing data licensing business that we'll talk more about.

Steve co-founded Reddit in 2005. He then went on to co-found travel company Hipmunk, where he was CTO; and he returned to Reddit in 2015 as CEO, and has been leading the company ever since. Welcome, Steve.

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

Morning, Doug. Hi, folks.

QUESTION AND ANSWER SECTION

Doug Anmuth

Analyst, JPMorgan Securities LLC

Q

All right. To start off, maybe you can talk about how it fits into social media in the broader Internet space.

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Sure. So, look, if I had 20 minutes, I'd give you a fulsome answer here. So, we've been around Reddit since 2005. And so, we predate social media. We predate the word influencer. And so, we've been doing things our own way for a long time, right. We didn't wake up and say, hey, there's a better version of doing this. We've just been doing it this way. But I often frame people – I often frame Reddit in juxtaposition with social media. And so, social media is powered by the Fs, as I call them, friends, followers, family, famous people. And Reddit's organized around community. And so, the dynamics and incentives are really different.

Social media also has algorithms that make things popular. Whereas on Reddit, things are made popular through voting and through voting in the context of a community. And every post and comment on Reddit starts out at zero points and has to earn its visibility. And so, what this means is things don't become popular on Reddit unless a group of like-minded people make it popular. And so the content, if you kind of play all this through, what happens is on Reddit, the content is more authentic, and it'll be more vulnerable as well. We don't use real idea on Reddit. So, on Reddit, you'll see people talking about not just like the headlines and what's going on in the world, which they do, and not just the memes which you've pioneered, for better or for worse, or gifs, which are a big part of that too, but everything they're going through in life, right. The ups and downs, relationships, jobs, all those things. And so Reddit, long story short, we describe as the most human place on the Internet.

Doug Anmuth

Analyst, JPMorgan Securities LLC

Q

Okay, great. You talked about how you've been around for 19 years. Maybe you could just help us understand the phases of the company. Why it's just this year that Reddit will cross the \$1 billion annual revenue mark?

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Sure. So, the brief timeline. We started in 2005. We actually sold the company in 2006. I left in 2009. Reddit spun out from our acquirer, Advance, in 2012. They're still our largest shareholder. And I returned to the company in 2015. When I came back to the company in 2015, we did, I think, \$12 million in revenue that year and we're about 12 million DAU, I think. We didn't even measure it that accurately back then. And so, the business didn't really get going until the last decade or so. And it wasn't until 2018 that we got our own AdTech going. And so, it's been a journey. We certainly have a lot of perspective on the Internet. But the business part of Reddit is just beginning to scale now. And so, it's like I said, I call it, about \$1 billion run rate where we are today. So, we've grown nicely in this latest phase but it's been a rollercoaster, to say the least.

Doug Anmuth

Analyst, JPMorgan Securities LLC

Q

Okay. Great. All right. So, you've seen very strong user growth, four straight quarters of acceleration. Can you walk through the key drivers here and maybe talk about how big of a benefit some of the Google algorithm changes have been?

Steven Ladd Huffman*Co-Founder, Chief Executive Officer & Director, Reddit, Inc.*

A

Sure. So, we've been adding about 1 million users a month. So, more than 1 million users a month, 8 months of the last 10 months and so, we've had a nice, steady clip. And the primary driver – and so that's 37% year-over-year. So, we're happy with that growth. The main driver is product quality. And so, about 18 months ago, I told our team, so I was just like quit being so academic about the product. We were AB testing ourselves to death. I said, just focus on quality, make it faster, make it easier to use. And long story short, our work is working.

And so, one of the main input metrics that we care about is new user retention. So, user shows up to Reddit. Do they find something interesting to them? Do they find their home? Do they find a community that speaks to them? Therefore, do they increase the likelihood they come back? So, we've gotten much, much better at that. So, the performance on our website, it's 2 to 5 times faster than it was a year ago. That makes a huge difference. Native apps faster. Start-up times, loading times, all those things much, much faster. UI is much easier. Our recommendations, our machine learning recommendations when you're trying to find communities, much more effective. That really started coming online last spring.

Now, if you knew me over the last three years, you'd know two of those three years we had a Google headwind. Because algorithm change kind of – they come and they go. You never hear me celebrate an algorithm change or complain about it because they tend to wash out over time. As it happens, we've had a few go our way. But the biggest – few go our way in the last year or so. But the biggest change is the web performance. The Google Crawler, Googlebot like speed. If your page loads faster, you'll rank higher. And so, the work we did on performance has made a nice improvement there. You will see where the algorithms go. The algorithm changes come roughly twice a year, usually one in the fall, one in the spring. But our growth has been much more steady over the course of the year, as I mentioned, 8 out of last 10 months, over 1 million users. And so, that speaks really to the performance impact and the quality impact versus these algorithm changes that may come and go.

Doug Anmuth*Analyst, JPMorgan Securities LLC*

Q

And what's your view on Google's new AI overview [ph] search (00:07:04) for both Reddit and the broader Internet? You've got some unique perspective on the broader space. Just curious how you think they could impact the Internet, broadly, in terms of traffic and then if there's any impact to Reddit?

Steven Ladd Huffman*Co-Founder, Chief Executive Officer & Director, Reddit, Inc.*

A

Yeah. Look, again, we'll follow these algorithm changes or UI changes. We'll have to see when we see. Big picture, Reddit has what people are looking for and Google helps people find things. Like that's – the math there is pretty simple. And especially in this AI era where more and more content on the Internet is written by AIs, there's an increasing premium on content that comes from real humans, and that's what Reddit is, right? It's conversations, advice, reviews, stories about anything and everything from real humans. And so, as long as people want that, and I think people will want that forever, then Reddit is, I think, will be a net beneficiary of this. Now, who's going to get hurt? The spam websites that use AI to write their content. And I think we want that to happen because we want Google to send people to great content and Reddit has the best content on the Internet.

Doug Anmuth*Analyst, JPMorgan Securities LLC*

Q

Okay. Sticking with users, we get a lot of questions about logged-in and logged-out users. Maybe you can just help us understand mix on the platform, the relative value of each and how you're able to target those two different groups?

Steven Ladd Huffman*Co-Founder, Chief Executive Officer & Director, Reddit, Inc.*

A

Sure. So, we're about call it 50/50 logged [audio gap] (00:08:36) right now, maybe a little biased towards logged-out. The logged-out traffic is mostly from Google. No surprise there. Somebody asked a question. They end up – Reddit has the best answer from the Internet. They end up on Reddit. But both are growing. So, logged-in users grew 27% year-over-year and the logged-in users, particularly logged-in users on the native apps, that span – that's the bedrock of our ads business. And so, that's really the cornerstone of our revenue. And that is very consistent. We see some volatility in the logged-out users as Google evolves and changes. But logged-in moves basically independently of that, and that's been steady and growing for a very long time.

Now, a super common question we get is how do we convert the logged-out users into logged-in users? And look, we've been very aggressive on this at times, but we found that's not super effective, right, putting up walls, forcing people to log in to see content, things like that, it doesn't work over the long term. It definitely works in the short term. But what works over the long term is just keeping our users happy.

So, if you come to us with a question and we've got the answer, we give you the answer. It's okay if you bounce. But what we really care about is if you come to our front page or you open the app for the first time that you find something like – and those moments are coming to find a community, to be entertained, to make a connection, whatever it is. And those moments, that's where we put all of our effort is focusing on new user retention. And so, that's the product quality, the recommendations, the things I was talking about before.

And so, we do see that mix change over time. Even – like when I came back to the company in 2015, we were probably 80%, 90% logged-out. And so, the logged-ins trend has been shifting more and more or the user had been shifting more and more logged-in. And that's really the growth of our native apps, just nice, kind of steady migration there.

Doug Anmuth*Analyst, JPMorgan Securities LLC*

Q

Okay. Reddit's pretty unique in that the subreddits are controlled by more than 60,000 moderators. And then you obviously provide some broader platform oversight. How would you characterize your relationship with moderators and what did you learn from the June 2023 protests and blackouts?

Steven Ladd Huffman*Co-Founder, Chief Executive Officer & Director, Reddit, Inc.*

A

Okay, so some context here. When we say the word moderator, these are users. So, in other platforms, use the word moderators, they're often talking about paid employees or contractors. When we say the word moderator, these are users who create communities on Reddit. So, you create a community, a subreddit. I use those words interchangeably, ta-da, you're a moderator. Moderators have complete control over their communities. So, they set the – they write the rules. They set the tone. They can ban content. They can ban users. And so, they're really the shepherds of community and they're really important part of Reddit, right, without – there is no Reddit outside of communities and there are no communities without moderators. In fact, if a community doesn't have

moderators, like if the moderator – if the last moderator leaves, we instantly ban that community, because we have a rule on Reddit, no unmoderated spaces.

Okay. So, what Doug's referring to, last summer, we changed our policy. We had a – well, we still have a free API. We decided to charge the heaviest users, about a half a dozen users of the API who are extremely heavy users. They're building Reddit apps. We said, hey, you got to pay for the API usage, turned out a big fight with our user base. I liken it to like an old married couple. The fight started about something day-to-day about the dishes, and then 10 years of history came up.

And so, it was not my favorite two weeks in the company history, but we did get through it. Now, Reddit is unique in that our users and moderators have a deep sense of ownership over Reddit. It's really, really important. One of the analogies I use for Reddit often is that Reddit as a city and I could take this analogy really, really deep. But think of subreddits as neighborhoods. The same way that the citizens of a city self-organize into a neighborhood that have distinct cultures and vibes. Reddit, the users self-organize into subreddits.

Well, in this moment, we had a protest in our city. And I think protests, just like in the real world, are an important form of expression in a democratic society. We had a protest on our platform lasted about a week, two weeks. There were some important points they raised outside of the API pricing thing, which we didn't change, by the way. And so, they made some important points. The moderators wanted better tooling, which we've delivered on. They wanted better accessibility support in our apps for people who are like visually impaired, for example, which we've really close the gap on. I think we'll be as good as anybody by the end of this year. So, I think those are important dynamics. I can't say we'll never see a moment like that again. But I'd say I think we've dramatically de-risked something of that scale.

Doug Anmuth

Analyst, JPMorgan Securities LLC

Q

Okay, great. Maybe you can talk a little bit about how you think about the opportunity for search on the platform. You're doing more than 1 billion queries per month. What's the potential to make search a key part of the Reddit experience?

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Yeah. So, generally or I'd say historically, we've looked at Reddit as a like a real-time platform, right. You're having conversations about what's going on in the world or about what's going on in your life. Now, we've been doing this for almost two decades. So, now, we have two decades of conversation of answers, advice, reviews about everything. And so, it's one of the most valuable corpuses of content on the Internet. And so, search becomes really important. It's both important, I think, to unlock this latent value that's in our corpus. But it's also just important for the product itself. A ton of new users, about half more or less of new users in their first session on Reddit, run a search.

So, if one of our biggest product challenges is taking a new user and helping them find their community on Reddit, half of them are typing into a box exactly what they're interested in. So, big opportunity, I think, both to unlock value and to deliver on a great user experience. So, I'd say we're in that – like we have search working on Reddit, right. We're doing over 1 billion queries a month, so it's not nothing. But I think from a product point of view, we've got a long way to go. So, I'd say we're still early there on delivering both really quality search results the back end and a really quality presentation of those results on the front end. So, that's a pretty big investment of ours over the next couple of years to really make that world-class.

Doug Anmuth

Analyst, JPMorgan Securities LLC

Q

Okay. Let's shift to advertising. Your ad revenue grew almost 40% in 1Q. Can you just help us understand some of the biggest drivers of the ad upside in the quarter and maybe how we should think about impacts of broader online ad market improvement relative to some of the Reddit-specific initiatives?

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Sure. So, I think you can see both those things. But if you look at our peers in the advertising space, you can see they also had good quarters. So, like the overall climb, it's getting better. For us, more specifically, what we saw over the last couple of years, our biggest category has been tech, so the big tech companies as advertising customers. That really flattened off over the last couple of years just due to macro conditions, this or that. We've seen that come back, which I think just speaks to the overall improvement in health in the market.

Now, the good news for us is while tech was flat, we grew substantially in every other category. So, we've been growing nicely over the last couple of years, even in choppy conditions. The conditions have gotten better. Now, let's call that like half the explanation. The other half is our ads product is getting better. And so, we've got a near infinite roadmap of work that we know will work. It's pretty straightforward. There are a number of other ad platforms on the Internet where big and small, and we know exactly what works, because we've seen them do it and our customers tell us exactly what they want that other platforms have that we need. So, our road map literally writes itself and we grind our way through it. And just about everything we do works because there are known winners.

Now, there's another dynamic that I think is really powerful, which is the uniqueness of Reddit itself, right? Every hobby and interest is on Reddit. Everything you're thinking about doing or buying is probably on Reddit. So, what should I watch? What should I wear? Where should I go? What car should I buy? How do I buy a house? What video games should I play? It's all there.

The interesting thing about hobbies, and even I've just come to appreciate this in the last couple of years, is how [ph] latently (00:18:34) or sometimes obviously commercial discussions about hobbies are. If you take up golf, you're going to spend a lot of time, it turns out, thinking about what clubs to buy or what clothes should I buy, all this stuff, right. Every hobby is like that. And so, more or less, every company's customers are on Reddit somewhere and there's a high likelihood those customers aren't on other platforms. You take the biggest platforms in the world, like Facebook and Instagram, 30% of their users – or 30% of our users aren't on those platforms at all. And the numbers just get bigger as we go to the other platforms.

So, every company's customers are on Reddit, and in many cases, they are uniquely and distinctly on Reddit, and they're literally talking about what should I buy. And so, it's a really natural commercial environment, which is funny for me to say because 20 years ago, when we started Reddit, I didn't like ads at all. I've come around.

Doug Anmuth

Analyst, JPMorgan Securities LLC

Q

A little bit. All right. You're coming off the deal with OpenAI announced last week. Maybe you can talk about the data licensing opportunity on the platform more broadly and what makes your content valuable to large language models.

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Sure. So, as I've mentioned, Reddit has got nearly two decades of conversation about anything and everything. And so, it's a really valuable source of – first is information and then two, data and content for training large language models. And so, at the beginning of this year, we announced a deal with Google to license our data for training, training and search. And just last week, we announced a similar deal with OpenAI, licensing our data for training. And this is a new business for us. We really just started closing deals this year. We're talking to a lots of folks in the space, big and small. But, again, it's another opportunity for us in addition to the core platform we have with the ads business, unlocking the value of our corpus.

The way we look at the landscape right now is if you're building a search engine or something that's like a search engine, and so, I would put ChatGPT into that category, right. You've got a text box, you type in what you're interested in and you get answers. How can you be the best or be competitive at that without the largest source of human generated content there is or that's accessible rather at least? One unique thing about Reddit is that we're open and we're open for business. The other platforms with our scale of content are all closed. The reason that we want to be open and we're in this business at all as opposed to holding it for ourselves, is because we're believers in the open Internet and we've been beneficiaries for a long time of the open Internet. Just looking at the, for example, the traffic that we get from Google search.

And so, I think it's both important for consumers for data to be out there and be accessible. I think it's good for the Internet and I think it's good for Reddit because we bring in a lot of people to Reddit. So, we're very considerate in these deals about what our data is used for, how it's displayed. But our default position is we'd like it to be out there. Now, the products in the space are evolving rapidly and so we'll see where this goes. And that's why we're being very considered about who we work with and about who will be respectful of our users and their privacy.

Also, little over a week ago, we announced our public content policy, just kind of a new concept in the Internet. Everybody has a privacy policy which governs what people do, what platforms do with the private information they have. Ours is very short. It doesn't leave Reddit it. We don't sell it. We don't license it. It doesn't go anywhere. But the public content on Reddit wanted to be clear that we are open to licensing it, open even to giving it away for free to researchers but only if you do so on our terms, which include provisions around not reverse-engineering the identity of our users, for example, not reselling it or rehosting it, things like that. And so, we drew the lines or kind of put out the guardrails and then companies that are willing to abide by them, we're open to doing business with them. So, so far, Google and OpenAI are the big ones.

Doug Anmuth

Analyst, JPMorgan Securities LLC

Q

And on OpenAI, you mentioned it seems fairly similar to the Google partnership. Can you walk us through the different components? Just how should we think about relative financial impact?

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Look, I will start – this is the lamest answer, I think, I get to give now as you start to see the numbers next quarter. Like I said, it's very similar to the Google deal. We try to keep things simple. We get money. They get a license of our data, subject to certain constraints, for training and other stuff. We'll also do some other smaller things in there. We'll be an API customer of OpenAI. They'll be an advertiser with us as well. So far, the deals that we've done and the deals that we're working on, they're all kind of bespoke. They almost feel like M&A deals in their complexity, which is fine, but it does mean they do take some time.

Doug Anmuth

Analyst, JPMorgan Securities LLC

Q

Okay. If there's a mic, we're going to open up to some questions. Let me ask you, I guess, just on continuing data licensing. Those are two big deals. Is it fair to think you're in conversations with other large language models here and there's other opportunity beyond this?

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Yes. So, we're talking to lots of folks in the space. It is a new market, and so, we're kind of developing it as we go. As I mentioned, most folks who are holders of large content sources like Reddit are closed. We're default open or we would like to be. We'd like to have relationships with as many people as possible. So, we're in the market doing that now. Now, we also have another class of customers that would be smaller companies for non-AI training purposes. So, think like financial institutions, investors, social listening services. There's a lot more customers in that space. Basically, anybody who wants a real-time feed of what's going on in the world, what people are talking about, what products are interesting, what brands are interesting, things like that. And so, we're also doing deals on kind of the other end of the scale spectrum; little smaller deals, but many more customers.

Doug Anmuth

Analyst, JPMorgan Securities LLC

Q

Questions in the audience? There's one in the back, way back, near the door.

Q

Steve, question for you about is there any traffic envisioned in this part of the deal with OpenAI? The way you do get with Google, will there be any reference, credit, traffic that comes back to Reddit? And how do you protect your source data from others who are not paying for it today?

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Sure. So, good morning. Good to see you. So, the expectation would be, yes. Now, they're at the kind of beginning of their journey, their own products. But one of the things we look for in these deals is you have to link to Reddit basically. Now, we're confident that the machine here should work well just because we've seen it for so long with Google. So, the argument that one would make is, hey, if you're content's out there being used for training or this or that, does that mean you're actually going to see less traffic or somebody's going to just kind of intercept you.

I think that is certainly a dynamic for some, but just look at the last year, our traffic is growing faster than it has in years, even or in particularly with logged-out traffic from platforms like these. And so, I think, trying to find the right balance of using this as effectively a marketing channel can be really powerful for us and help consumers, generally on the Internet, find what they're looking for, and train them, as we've seen, knowing that whatever your question is, Reddit probably has the answer.

Now, we run the company day-to-day on DAUs, so it's 82 million in Q1. Our monthlies is over 500 million. And so, our top of funnels is absolutely massive. And so, I think the idea that Reddit is just out there pervasive on the Internet, on people's mind, is really powerful. We don't do consumer marketing. That is how we grow Reddit and market Reddit.

Doug Anmuth*Analyst, JPMorgan Securities LLC*

Q

Another question in the audience?

Q

Yeah, thanks. Hey, Steve. Could you talk a little bit about the opportunity overseas? I saw that you're using ML to translate some of the reds and is that a big opportunity in the next few years for you? Thank you.

Steven Ladd Huffman*Co-Founder, Chief Executive Officer & Director, Reddit, Inc.*

A

Thanks. Yes. Great question. So, today, we're about 50/50 US versus non-US. If you look at our just kind of peers in the space, we would expect that 50% international number to actually be 80% to 95%. I'm confident we'll get there even just naturally, but we want to get there faster. One of the things we're doing that I'm very excited about is using large language models to translate our entire corpus. And so a year ago, if you were to do this, it would be okay. But with large language models, you can do translation at human quality. And so, you can pick up on humor and nuance and all these things. And so, we're in the middle of testing this right now. So, French is the first language we're doing. So, we've got this online in France where you can access all of Reddit's history in French, and it's a native quality translation.

And so, we saw an instant improvement in testing with new user retention. And as an added bonus, Google indexes the translated content and serves us back users from French Google as well. So, that one, we didn't anticipate. So, that was a nice bonus. So, we're doing the product polishing as we speak. As I said, we're in testing right now. It's going well. The next stop after French is Spanish, there's 1 billion Spanish speakers, and then we'll go from there. But this is a really exciting opportunity. Look, Reddit has interest and passions. Everybody has interest and passions. Community is universal. And so, I think it is inevitable that we grow to that sort of scale outside of the US. But our goal is just to do it faster and so the translation work really helps there.

Now, outside of translation, we also do what we call program work, which is focusing on target markets. We have five target markets making sure that communities that we know will work, local sports teams, big cultural things exist, are well-moderated, discoverable in our products, good safety support. And so, we're seeing nice results there as well. So, both on the translation and on the program work, we're optimistic about the future.

Doug Anmuth*Analyst, JPMorgan Securities LLC*

Q

Right. Good. An area you're very excited about is the developers platform. Maybe you can talk about that, what it is, what kind of compelling use cases could come out of it and how would it be monetized.

Steven Ladd Huffman*Co-Founder, Chief Executive Officer & Director, Reddit, Inc.*

A

Sure. So, developer platform, this is the project that I've wanted to do on Reddit for a very long time. We've been working on it the last couple of years. It's coming online as we speak. And so, a post on Reddit today is a text, a link, an image or a video; that's basically it. And so, with the developer platform, what we're allowing users to do is create custom posts, posts basically that are code. So, like a post that's almost like an app. So, posts that can be dynamic, that can have memory, that can interact with each other and with users. And so, this will allow, I think, users to radically expand what Reddit is used for.

And so, communities on Reddit today are already conversations about any topic imaginable. But some of the communities are almost like marketplaces, some are like games, some are for like storytelling. Our users are constantly pushing the boundaries of what Reddit can be used for, which is really interesting because fundamentally it's like forum software. And so, they're constantly trying to stretch Reddit and use it for interesting things. With the developer platform, they'll have now the ability to do that in ways that we never imagined.

So, the stuff that's online today is really simple. It's like scoreboards and stock tickers. But beyond just a scoreboard, for example, in the Super Bowl, there was a special like Taylor Swift scoreboard that tracked not only a score but also like Taylor Swift appearances and had all these other little Easter egg features on there. Today, we have a couple hundred developers using it and testing, but over the course of this year, we're going to go through our waitlist, which is thousands of developers. So, we'll get that completely open and get this completely out in the wild. And then that starts to unlock not just the kind of the fun things our users will do with it, but then the economics. And so, think of users being able to pay for these experiences or subscribe to these experiences, or have experiences that are generally involved in the exchange of money.

And so, that unlocks – it's a big part of what we call the user economy which is, long story short, users making money from other users on Reddit with access to developer platform, developer platform apps or posts, but also subscribing to exclusive content or exclusive areas as well. And so, there's a big family of work here that we've been working on for a while, and it's starting to come out over the course of this year. So, I think a lot of interesting things to come there.

Doug Anmuth

Analyst, JPMorgan Securities LLC

Q

Okay, great. We're going to wrap up with a quick word association. Rapid Fire.

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Okay.

Doug Anmuth

Analyst, JPMorgan Securities LLC

Q

Whatever comes to mind.

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Okay. Let's do it.

Doug Anmuth

Analyst, JPMorgan Securities LLC

Q

DAUs.

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

A

Up into the right.

Doug Anmuth

Analyst, JPMorgan Securities LLC

Advertising?

Q

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

Up into the right.

A

Doug Anmuth

Analyst, JPMorgan Securities LLC

Google?

Q

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

Up into the right.

A

Doug Anmuth

Analyst, JPMorgan Securities LLC

Hoping there's a different answer here. Moderators?

Q

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

I go back to Google. Actually, Google, I'm going to say innovation. I think we're in what I hope is a new golden era of competition in that part of the Internet, which I think will be really interesting for everybody.

A

Doug Anmuth

Analyst, JPMorgan Securities LLC

Good. Moderators?

Q

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

Scaling.

A

Doug Anmuth

Analyst, JPMorgan Securities LLC

Gen AI?

Q

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

Spam.

A

Doug Anmuth

Analyst, JPMorgan Securities LLC

Search?

Q

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

Innovation.

A

Doug Anmuth

Analyst, JPMorgan Securities LLC

OpenAI?

Q

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

Search.

A

Doug Anmuth

Analyst, JPMorgan Securities LLC

X?

Q

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

Who cares?

A

Doug Anmuth

Analyst, JPMorgan Securities LLC

Developer platform?

Q

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

Expansion.

A

Doug Anmuth

Analyst, JPMorgan Securities LLC

And community?

Q

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

Underappreciated.

A

Doug Anmuth

Analyst, JPMorgan Securities LLC

All right. Cool. I'll leave it there.

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

Okay. Thanks, Doug.

Doug Anmuth

Analyst, JPMorgan Securities LLC

Thanks, Steve.

Steven Ladd Huffman

Co-Founder, Chief Executive Officer & Director, Reddit, Inc.

Thanks, folks.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2024 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.

15-May-2024

Reddit, Inc. (RDDT)

Needham Technology, Media, & Consumer Conference

CORPORATE PARTICIPANTS

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

OTHER PARTICIPANTS

Laura Martin

Analyst, Needham & Co. LLC

MANAGEMENT DISCUSSION SECTION

Laura Martin

Analyst, Needham & Co. LLC

I'm Laura Martin. I'm the Senior Media Analyst and Internet Analyst at Needham and Company. And I'm going to welcome to my stage Jen Wong who's the Chief Operating Officer of Reddit, and we're going to do a double session. So, we're going to be here till about 10:00 today.

So, I think, Jen, since we have the luxury of time, why don't you start by sharing a little bit of your professional path? You and I have crossed paths a couple times over our careers, so why don't you bring the audience – level-set and bring the audience...

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

Sure.

Laura Martin

Analyst, Needham & Co. LLC

...up-to-date about how you got to Reddit as Chief Operating Officer?

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

Yeah. Thanks for having me. Well, let's see. I think, well, our paths have crossed because I've often work – I've worked in the world of consumer media and tech for the last 15 years. Two stints at public companies that were disrupted and trying to turn themselves around; that was AOL and Time, Inc. One stint at a Sequoia-backed, privately held company, which was POPSUGAR and Shopstyle, so a shopping search engine, plus a publisher, and then here at Reddit. And then prior to that, totally different life in consulting. I enjoyed it, but it was not a long-term career for me, I would say.

Laura Martin

Analyst, Needham & Co. LLC

Yeah. In companies, you've been doing companies...

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

I like to build, yeah.

QUESTION AND ANSWER SECTION

Laura Martin

Analyst, Needham & Co. LLC

Q

So, the personal question I'm asking every CEO on my stage over these two days is: what is the most impactful professional conversation you've ever had, and how did it change your path?

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Ever had is a high bar, but I'll share one. One of the board members from Time, Inc. who was a long-term mentor, said to me – this was when I was at POPSUGAR. He said, Jen, people who know you really love you. They love the work that you do, but not enough people know you, like you haven't worked on a big-enough canvas in a big-enough spotlight with – in a large public company. And it was really – and, look, he was trying to get me to join Time, Inc., and he was successful in doing that. But it was very profound in that I just love working for smaller businesses. That was the mindset I was in. And he said, look, great – Steve was talking about this, too. Like a lot of great companies, they're built in the public markets. That's just a different level of transparency and operation and rigor that you lead in. And I really encourage you to think about that opportunity.

And, look, it's been very popular to work at private companies that grow to very large sizes before becoming public. But that had a really profound impact on me in thinking about public/private and size of asset to work on. And I did end up joining Time, Inc. And it has increased, I think – when I look at where I want to work, I think about assets that have great raw materials that can be really big, and that's what got me really excited about Reddit. When Steve and I met six years ago, Reddit was smaller than it was today. It was about 200-and-change in terms of employees. It was still in a little bit of fix-it mode. There was still some reset to do in terms of the employee base, didn't have a business model yet, and was resetting its content moderation policies.

So, really, still the early foundational moments and doing a little bit of cleanup, but I could see the potential of it. And even then, we discussed the potential of being a public company because Reddit had that potential, and that was so exciting. And that kind of fit this advice that I got about thinking more expansively about a bigger canvas.

Laura Martin

Analyst, Needham & Co. LLC

Q

Yeah, that was a very impactful conversation for you. I mean, also you took the advice, too.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Yeah.

Laura Martin

Analyst, Needham & Co. LLC

Q

I mean, you didn't have to take the advice. You could have made just as much money in a private setting. Feels like – well, all three of the public companies [ph] you have joined (00:03:49) have really strong cultures. Time Warner and AOL will have really strong – and, for sure, Reddit has a – I'm going to call it just a [ph] cult (00:03:56) culture. That's what I call Disney and Apple.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Yeah.

Laura Martin

Analyst, Needham & Co. LLC

Q

Is that something that attracts you, or is it just a coincidence that you ended up with these really strong, different cultures?

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Yeah, I find that sometimes the culture of the company is also shaped by the product and the – some of it's driven by the passion for the product, right? So, in digital media companies, especially like Time, Inc., there's so much passion for the actual, the words, the product, the content, and people are so passionate about everything that they're writing and putting out. And the same at Reddit. The employees are so excited about the mission of our platform. Every day, they know that we're helping people get the information they need. We are working with a very, very diverse population of users, and that, net-net, Reddit being in the world is just [indiscernible] (00:04:46) better for the world. So – and often what happens is I think the – if the employees have that passion, you get a very strong, like, mission-driven culture. And Reddit's like that, right? Our mission is community belonging and empowerment for everyone in the world. And I often say that if you're more mercenary – and Reddit's had a great run in terms of its growth – you're just not going to have a great experience here because we are so mission-driven, and we make decisions around our mission that might be trade-offs that other folks wouldn't make.

Laura Martin

Analyst, Needham & Co. LLC

Q

And so, you think it's from the product, not from the leader? I would have thought culture comes from the leader. And, like, Tim was a strong leader. Or Time, Inc. definitely had strong leadership. And Steve is definitely a strong leader at Reddit.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Absolutely. I think leadership makes a difference in that we are the guardians of that mission. And the principles of the company, I think, radiate out from being mission-driven. As a leadership team, we have to echo that, and we have to role-model that so that it goes – it permeates throughout the company. But I like to think that companies should endure, Reddit should endure past any leader. We want that. We think Reddit – been around for 19 years. I mean, Steve will be around for a long time, but the point is I think Reddit can have an even longer life, and we want that culture to endure even beyond that.

Laura Martin

Analyst, Needham & Co. LLC

Q

And that's where the product comes in because as long as the product stays the same, it should keep feeding the culture.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Exactly.

Laura Martin

Analyst, Needham & Co. LLC

Q

Yeah. Interesting. Okay. So, let's turn to Reddit. And at any time, if you guys want to put up your hand and ask Jen something, go ahead. I'll fast-pass your question to the front of the line. But let's start – let's drill down. Let's – so we have three growth drivers at Reddit, and let's start with advertising, which is sort of the core business today and the economic driver today. Can you talk about what's driving user growth, ARPU, your plans – and your plans for ad load? Let's start with that.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Okay. That's a lot.

Laura Martin

Analyst, Needham & Co. LLC

Q

Yeah, it is.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Okay. So, first of all, with just – I'll get to ARPU in a second, but ARPU is an output metric. There's no manager of ARPU in the company who's in their title. ARPU is the math between the revenue growth and the user growth, which are two things that we're very focused on. On the user growth side, you saw in Q1, our user growth was 37% year-over-year, 27% for logged-in users which are the bedrock of inventory. Reddit's kind of interesting because we have logged-in and logged-out users, and that – most of that was from fundamental product work: making the product better, making Reddit faster, making it more performant, making the ML and the recommendations better. That is work that compounds on each other. It makes Reddit better and better and improves fundamental user retention. It allows people to find their home on Reddit, find the communities that they love faster, and it improves how much time and how many things they sign up for. That is really fundamental work that we do.

Now, in the logged-out users, some of those users, they come from search, and there are algorithm changes, but those come and go. So, we don't pay too much attention to them. They're in there, but what we focus on is those fundamental product changes, and there's more there. I mean, we're just at the beginning of that journey. We see a clear road map of more improvements, more fundamental improvements that will, I think, support even more users finding their home on Reddit. So, that's the user growth side. We feel really good about user growth.

The second is on the revenue growth side. So, revenue grew 48% year-over-year. Ads grew 39% year-over-year. Ads has grown about 10 to 15 percentage points above the market pretty consistently over time. We're a share

gainer. And while small, I think we just have a lot of potential. And on the advertising side, we doubled our click volume – more than doubled our click volume year-over-year. Part of that was also improving the click-through rates. CTR is 40% year-over-year. So, as a business, we have a very strong top-of-the-funnel brand business. Brand has become a little healthier than it has been in prior years, and there's just a lot of budgets in brand, especially with large advertisers. We have significant unduplicated reach, so there's just users you can't find anywhere else unless you come to Reddit.

The second is the mid-funnel. The mid-funnel is when you start to get into performance, where you're really only paid if you drive a click, an actual in action. And so, by doing a lot of ML work – and we're at the beginning of that journey – that's what has driven the click volume in addition to underlying user growth. So, those are really efficient outcomes for advertisers. And revenue growth is really driven by both the cost of the outcome to the advertiser and the volume you're delivering. And we're able to do both at the same time right now: give them an efficient price as well as deliver a volume of outcomes. So, that's the mid-funnel, big growth driver for us.

And then we're working on the bottom end of the funnel, which is applying ML and models in order to drive the next step of action, which is a purchase and install and add to cart, a deeper action beyond the click. That is a really attractive part of the market because it's very resilient to economic changes. It is also very competitive in that it is pretty heartless in that it's by the numbers. You either hit the number or you don't. And you do, it unleashes budgets, and you continue to improve. But we think we have the raw materials to go after that business. Not every platform does.

The reason why is because Redditors spend and logged-in users spend over 25 minutes per user per day, so very, very high intent. And the users only come from two sources: either come directly to Reddit intentionally to check in with the community in a conversation, or they're a one-click-pass search. So, the intent is very high to look at actions. And best estimate's about almost 40% of our new conversations around products and services, so we know that there's high commercial intent. So, that would be – on the advertising side, that's the road map for us. If you think about the top and the middle of the funnel, really driving immediate term and then laying down the tracks for the bottom of the funnel for performance; have a full-funnel solution. Those are the drivers of our business.

That's from a – what I call an objective standpoint. If you look at it from a channel standpoint, we have grown our scaled channel, which is the mid-market and SMB channel, faster than the average growth of our revenue, so that's been a growth driver for us. That's great because, in that segment, our thousands of advertisers who are not yet on Reddit, there just can be so many more advertisers on our platform. So, that's a really big opportunity for us to diversify the auction and have a lot more customers. So, I...

Laura Martin

Analyst, Needham & Co. LLC

Q

And that's driven by bottom of funnel. You're saying that they come...

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

And they start at the middle of the funnel, and they tend to – they'll go up a little bit, the larger mid-market advertisers, but they'll mostly go down to performance, but they will start at the mid-end of the funnel. That's what the mid-part of the funnel unlocks, is that segment of advertiser.

Laura Martin

Analyst, Needham & Co. LLC

Q

One of the things that's interesting about even your logged-in users is they don't have to use their real name. And how does that – when you're talking about advertisers, does that have an impact on the price they're willing to pay since they don't actually know people's real names? So, it's hard to track whether they actually bought something off of Reddit.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

It's a good question. The tracking is separate from the sort of anonymity. So, all users on Reddit have an anonymous username, both logged – I mean, even logged-in, you have an ID, but it's not your PII. And that's actually one of the benefits of Reddit. I think that was a longtime myth, which is, if I operate under PII, things that are true about me...

Laura Martin

Analyst, Needham & Co. LLC

Q

You better say what that means.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

...under – like personally identifiable information. Like my name, Jen Wong, and that everything I wrote was true, that I updated it all the time correctly, and that I would be on good behavior because I was under my name. And the fact is that's just not true. When you look at what's happened on other platforms. On Reddit, people are anonymous. What that allows for is that people can spend time in communities that they're interested in, they're really interested in, that is not what they want to project to friends and family. Your friends and family do not care if you're buying a new car. You might be expectant new parent, and you're not ready to reveal that. You might have a health situation. Like you might be dealing with something – these are things that are private to you. You might be an avid gardener. I am. My friends could not care less about gardening.

So, what we see about people is so different than what they reveal on social media. And it turns out that's incredible asset because we have an unduplicated targeting graph. We can find people, we can find parameters on people that you couldn't find in other platforms because they're not revealing those interests. So, again, unduplicated targeting graph, you can find incremental customers. So, it turns out that's actually very valuable. It does not affect the measurement in the sense that – so, from a targeting standpoint, it's different. We target by context and interest. We do not target by demographic. We do not target by tracking you off-property. Everything is first party on Reddit, which makes it very resilient, very logical in terms of the ads and the users, and we think more effective. So, that's sort of on the targeting side.

On the measurement side, remember our logged-in users are a significant portion of our base today. And, in fact, they are the bedrock of our inventory. So, we do have e-mails and phone numbers for a lot of our users, and that's grown. When I joined, it was something like 20%. Now, that's increased to just below something like 50% and kind of bounced around logged-out users. But that's continued to grow, and the reason why is because so much of the user growth comes from mobile. And in mobile app environments, it's just very normal to log in. It's part of the behavior. And the second reason why is because when you log in, you get the first-class Reddit experience where it retains your preferences on the communities that you join. So, people are motivated to log in because it is a better experience. So, the log-in rate will continue to grow. And when we have those parameters, that helps us do more matching in addition to modeling and look-alikes.

Laura Martin

Analyst, Needham & Co. LLC

Q

And like Amazon finds that if somebody pays the \$140 a year, they spend like four times as much money. Is that true in time in logged-in versus logged-out users on Reddit?

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

It is true. The logged-in users are – they spend significantly more time. The logged-out users, a lot of them are one-click-pass search. So, their session length is significantly shorter. They might come in and look for an answer on a conversation page. Hey, I want to know what the best vacuum is. They get their information, and they're good in that session. And that's okay because we want to be open. Reddit has benefited from the open Internet. We don't put up a wall that says you must log in. They're not thinking about logging in in that moment. They want that information on what is the best vacuum. The good news is we can monetize them because we have the context of that page, and we can do keyword targeting like search on that page to say, okay, we can serve them a really effective ad, really high-value ad because they are a high-intent, action-oriented user. It's just their session length is shorter than a session length of a logged-in user. But those are our future logged-in users.

Laura Martin

Analyst, Needham & Co. LLC

Q

And they're still targeted. Like you said, they still have real high intent like a search engine.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Exactly.

Laura Martin

Analyst, Needham & Co. LLC

Q

So, yesterday, I don't know if you saw, but Google did a whole day about generative AI, introducing [ph] GenAI across (00:16:44) all of their product line, really. But one of the things they're doing is much more with search, and generative AI is going to deliver you answers, deliver you information verbally. If you put your camera up, it will do it. So, I mean, they're bringing in GenAI because they're under criticism over OpenAI's lead. Does this actually negatively affect Reddit, that search is going to become more, let me call it, proactively? The GenAI will allow search, meaning Google Search, to become more – deliver more information seamlessly so they don't have to go to Reddit past the – they don't have to go in and click to answer the best-vacuum question on Reddit?

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Look, I think it's really early. I did see the announce – there were a slew. It was pretty much in everything. And what a difference a year makes in terms of what they put forth. It's really interesting. Search will evolve, and it will evolve, and it – they've talked about having a generative experience in search. And – but I think if you just zoom out, why is Reddit so important to search today? Like, why is Reddit showing up in so many of the search results? The reason why is because Reddit is the biggest corpus of authentic human experience that is not tainted by commercial affiliates. It's not auto-generated. It's actually human thoughts, and it regenerates so quickly. It – you have a new car. Somebody's going to have an opinion on that new car model immediately in a subreddit. And it's going to be indexed, and it's going to be one of the few sources of information that is like a real person who actually drove that car with a family and said, this is what I think about it. And so, that's why we win in search.

You could summarize over that, but you're not going to get the textural detail of what that person and the conversation that happened between another 50 people who had that experience. You actually want that detail. So, I think while there might be summarization, people always want the threaded detail in the conversation piece. That's what we see on Reddit. So, we'll always have the freshest information, the most authentic [ph] form (00:19:00) in terms of I think human ideas and experience. And I think that our value just goes up in the world of AGI. I really believe that.

As there's more synthetic content, there's more summarization. You want to know what the source is. You want to know what the real scoop is from a person, what they actually said, and what multiple people said about a product or service. And who's going to regenerate [ph] that data (00:19:29)? The models have to summarize something. What are they going to summarize? They might try to summarize the information on Reddit, but it regenerates so quickly, and the opinions evolve so quickly, it's really important to get that fine-grain detail.

The final thing I'll say is, remember, a lot of our traffic comes directly, and they come both for information. So, the search seekers come for information, obviously. But the ones who are logged in, they come not only for information; they come for the community. In the end, who's going to help you stop drinking? Who's going to help you with parenting advice? It's going to be real people; real people who have had the same human experience and the feeling of being in it together. And you can't summarize over that. And that is what people come to Reddit for in addition to the information. It's that whole experience, the feeling of being a part of that community, and sharing that experience.

Laura Martin

Analyst, Needham & Co. LLC

Q

And I do agree with you that as the whole society moves towards screens, which is really isolating, that the people are looking for community in other ways. So, Reddit does feel this growing need that GenAI is essentially taking away; in addition to the information. When you think about growing logged-in versus logged-out users, do you have to do different things to grow those, or do you just focus on growing logged-in users? That's your total focus because their economic value is higher to you.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Well, the majority of our focus is really on logged-in users. That's taking friction out of the log-in. It's improving the ML feed and the recommendations so that they can find their home on Reddit. It's those fundamentals. It's taking friction out of posting. So, that's a lot of our work or the basics of Reddit. We do do work to grow logged-out users. So, we've dramatically improved the speed and performance of our mobile platform called Shreddit. So, the speed at which Google is able to index the content and see the freshness of the information on Reddit has – the time is compressed. And so, that does allow logged-out users who are searchers to find the information faster and for us to rank better. So, the speed matters in terms of allowing people to have access.

So, we do – but there are two separate strategies in that we're not trying to immediately, in session, convert a logged-out user who came from search to sign up in that session. We did that once upon a time, but that's not the mindset that they're in. The strategy is more let's let people enjoy the best of Reddit, find what they need, find the information they want from search. And typically they come numerous times. And then, one day, they realize, I should probably download this thing called Reddit because I'm here all the time, and it seems pretty good.

And then what we see in the App Store is a very consistent cadence of unattributed installs. We don't spend any money on marketing, so it is really self-driven installs, a combination of word of mouth or finally having that

experience of, wow, Reddit's so good, I'm going to download. That's kind of how the funnel works. So, logged-out is kind of upper, upper funnel. It's marketing for us. It's marketing how great Reddit's content is for us, so that, one day, you say, you know what? I want that every day when I come into the app.

Laura Martin

Analyst, Needham & Co. LLC

Q

Okay. And you mentioned SMBs bringing more advertisers; more of like the Facebook, the million advertisers. But you also said that you need self-service; you need a better self-service experience to bring on those people. So, can you talk about what you're doing on the self-service side?

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Yeah. So, look, I think simplicity is just good practice for every ad platform and for all advertisers. And if you look at our business, look, we're so small. We have so much opportunity. Even in large advertisers today, we can have a much bigger share of wallet relative to our audience size. So, I don't want to rule that out as an opportunity. That is an opportunity to go deeper. And if you look at some portfolios, we're 15% penetrated in terms of their portfolio of brands. Just a really big opportunity to go deeper.

On top of that, because Reddit covers 100,000 communities and a broad range of topics, we think we can have thousands more advertisers on our platform as well, and a lot of them will end up being mid-market or SMB advertisers. And it's true; those advertisers require performance, and they require simplicity in automation. So, that's an area that we continue to invest in, both performance and automation, to move down in terms of the size of advertiser. Before we get to self-serve, we will just – we will go lighter in business models. So, we started at a lighter...

Laura Martin

Analyst, Needham & Co. LLC

Q

Lighter.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Lighter in terms of our service models. So, our – just to give you an example, we started with the top 300 advertisers. They are full service, managed. Your – we started hands-on-keyboard ourselves. We've now moved to a hybrid model where they have hands-on-keyboard, we have hands-on-keyboard together. Mid-market advertisers, you go direct to the buyer. There's no agency. It's pretty much performance-driven. You test. Some of them go 100% hands-on-keyboard. Sometimes where they're in a hybrid model assisting, but generally it's a lighter service model, and you can have a lot more accounts per rep because of the lighter service model.

Then you get into SMB. SMB for us, we do have managed SMB where we give a touch, so it's not fully self-service. We do this through vendor partners. Very high scale, lots of accounts per rep, but that's okay. We give them lightweight tools. They are able – as we make the tools simpler and more automated, they're able to manage with a little bit of customer service help from us. And then you get to self-service, which we have a channel today. Folks come in, three steps: swipe a credit card, set it, and they go. And that channel is just not our biggest channel yet. And that's okay. We're – we will be focused on growing that channel. But we have all these three channels in terms of graded service models that we want to move through. There are just thousands of advertisers in mid-market and managed SMB that we want to address even ahead of self-serve. That can get us ad diversity.

Laura Martin

Analyst, Needham & Co. LLC

Q

Oh, okay. Right. So, self-service sounds like it's a little further in the future than I was thinking. I thought it was imminent, but it sounds like it's a little further in the future.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

It's there, but it's not our focus because we have these opportunities. And these – the advertisers along the way, it's worth it, right? So, a managed SMB is a larger SMB customer. When you give them a little bit of a customer service touch, the average revenue per advertiser is more significant than a self-serve advertiser.

Laura Martin

Analyst, Needham & Co. LLC

Q

Okay. That's actually super helpful. Appreciate that. So, can you talk about global expansion? You guys have a road map for that. When does international contribute to Reddit's profits rather than just costs?

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Well, international is actually a contributor today. It's about 18%, 19% of our revenue; grew 30% year-over-year. Look, there's just a lot more headroom there. We're still small. We're still small in markets like UK and markets – in EMEA, even in Canada, relative to our penetration in terms of the population. So, we'll continue to invest in those markets as we grow. I do think international is a really significant user opportunity for us. And the ads business always follows the growth of the users. Today, our topography is 50/50, pretty much outside of the US and inside the US. But we are standing on the cusp of, I think, a really interesting next arc for global conversation. So, I think it's been our dream to always have global communities as well as local communities.

So, you can have r/brotchengermany just about German bread, but to have a global community in AskReddit which is about the universal human experience, and the only way to do that is to take out language friction so that somebody who only speaks French can talk to somebody who only speaks English. And now, with translation, with AI, that is coming, and we've been testing that in French, and we are so encouraged by what we're seeing. The ability for people who have language – for the language friction to go away, for the communities to have really thriving conversations across languages, across borders, and for that content to be indexed just like it is in English into Google for – into search.

So, that's really, really exciting to see. And if you just imagine the possibilities – we've done it in French, you think about the myriad of languages that we can expand into, and that is our plan – I think that could be really transformative for our ability to scale globally because unlike other platforms that – a lot of platforms operate in video. Video is pretty universal; doesn't have language friction. Reddit does because we're majority conversation in text. And so, we've had this chicken-egg cold-start problem where we knew Reddit would eventually be in all languages and have all these different topics, but that it would take time because of that extra friction. But now, with AI-powered translation, that can be greatly accelerated. So, that I think is...

[indiscernible] (00:29:07)

Laura Martin

Analyst, Needham & Co. LLC

Q

Let me push on that a little bit. So, you may recall I was the Head of Strategy for Vivendi and sitting in Paris actually. And one of the things I did is I tried to bonus the eight people that worked for me, and they never had bonuses before, and none of – I said, I want a business plan. I want – what's your professional goals?

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

Yeah.

A

Laura Martin

Analyst, Needham & Co. LLC

None of them would do it because it's a \$0.70 marginal tax rate. So, if I was going to give them an extra \$1, \$0.70 was going to government, none of them would do it. So, I mean – so that's my question; is if you have these Americans speaking in English over here, [ph] now it's (00:29:36) just going to happen to translate it to France. The value systems are really different. Advice that somebody would give here would not – or the French would give to an American be like, what are you talking about? That's the worst advice ever. We have a little sharper elbows. We work a lot harder. We sort of live to work, and they sort of work to live. So, I don't – like is it really an opportunity to somehow – like is it really a smart idea to start trying to take American values and shove them down the French's throat because they get annoyed by us?

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

See, I don't view it that way. I actually was smiling when you were saying that because I thought that would be a really great conversation. I mean, as a parent, I've read – a lot of people have read – what – the French parenting book, the Danish parenting book. A lot of people have done that because it's just interesting to see different philosophies and approach to something that's important. I think work-life balance is a great topic to talk about globally. Should we have a 30-hour? I mean, these are great conversations to have. So, I actually think our communities become more vibrant. I don't think it's – the moderators will make sure it's not somebody shoving a value down somebody's throat. It's more an interesting conversation. Like, that's a good – that is a great conversation. That might be inspiring to somebody to realize, you know what, maybe I do belong somewhere else, and that's okay.

A

Laura Martin

Analyst, Needham & Co. LLC

Okay. I don't know. I will see. Because they told me, oh, France is the most like the US. It was nothing like it.

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

I believe that.

A

Laura Martin

Analyst, Needham & Co. LLC

Everything that would come out of my mouth, the French people were like, what is she saying? Like, our whole basis, I think, of assumptions is really different in capitalism.

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Yeah.

Laura Martin

Analyst, Needham & Co. LLC

I mean, this is socialist.

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

And that's what makes it fun to have that conversation. I would say that I find that fun.

A

Laura Martin

Analyst, Needham & Co. LLC

I guess if you're going for advice, though, it isn't always the best advice either direction really. They had Wednesdays – their kids were home on Wednesdays. I'm like, if you want to take Wednesdays off and come in on Saturdays when your kid's at school, they're like, why would we do that? I'm like, I guess...

Q

[indiscernible] (00:31:23)

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

Well, yes, [ph] I showed you (00:31:24) some research we've done about words, right? So, we obviously – it's sort of – we have video on Reddit, but we have not been – I mean, video's not our dominant format. We've been words. And there have been moments where we thought, well, gosh, we're words, and everybody's moving to pictures. And we've done a lot of research about words and conversation. And what it shows is that if you really want to change somebody's fundamental point of view, you actually need words because words allow you to express more complex thoughts, more nuanced thoughts. And to change someone's mind, you actually need multiple different points of view, not just sound bites of the same thing. So, if I wanted to change, say, Laura, you should be vegan, it can't just be it's because of the animals. It has to be it's health, vegan. It's like all these reasons. Good for the environment. All these different reasons and arguments so that we can have a dialogue that might actually change how you think.

A

And you see this in the subreddit, r/changemymind, where people willfully go in and have long dialogues about fundamental beliefs and question them. And I say that just because I think that is the – that actually is the magic and the joy of Reddit; is that nuance and that ability to change people's fundamental beliefs because you're having a conversation about it. So, I would argue that Reddit is the right place to have such disparate points of view in conversation because it can be done civilly in a way that actually might affect, I think, people's beliefs in a really positive way that opens up maybe a new aspect of who they are.

Laura Martin

Analyst, Needham & Co. LLC

Well, definitely going offshore will do that because there's a bunch of assumptions we make as Americans that we don't even know we make until you run into another culture that doesn't make those particular assumptions.

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

Right.

A

Laura Martin

Analyst, Needham & Co. LLC

Q

Let's talk about the competitive environment. So, sort of building on your point about video, I do think that Amazon is trying to connect a bit – an ad unit on a big screen to the purchase. So, typically, what I would say top-of-funnel advertising opportunity, they're trying to tie it all the way down to the actual purchase. And so, my question is: do advertising alternatives that don't have that drive to purchase become less valuable? Do they – does everything else come under CPM pressure or cost-per-thousand pricing pressure because now Amazon is going lead the way, and Walmart's going to be a fast follower to try to tie the ad unit directly to the purchase?

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Look, I think from a marketer's point of view, there's been a lot of research over the last couple of years about brand and performance, and has the emphasis and focus on performance sort of had long-term effects on brand. And I think there's a fair amount of research that shows that you want to be balanced across the funnel. You – the marketers, you want to be outcome-focused, you want to think about your price, you want to think about the volume you're getting. But at the same time, you're balancing across these two things because they work in concert. Brand can enhance the value at the bottom of the funnel, right? And so, I would say I fundamentally believe that there will still be full-funnel advertising, and there are ebbs and flows in the industry depending on what the economic backdrop is, where you emphasize performance more than brand, etcetera. But I think that will stay.

I – in terms of CTV, it's possible. It's possible that it'll become more performative and more measured. I don't know, it's not my experience. So, my [ph] data point of one (00:34:43), I don't sit, and I have my phone ready for a purchase or a QR code when I'm watching videos in bed at night. But it's possible that that happens. It's – [ph] this period (00:34:56) is right. I think it's – what marketers want is a more measured media. But I don't – that doesn't affect us in the sense that our proposition – like, we win if we do what we do well, and what we do is so different. We want to be a leader in contextual and interest-based advertising, which is based on our first-party data, which is based on converting the intent on Reddit into action and awareness. And it's just so radically different. And so, where we all compete is to make sure that marketers get an efficient price for the outcome and the volume of outcomes that they want. And that can be across any marketing mix.

So, I just don't think about trying to be tied to one format. It is true that budgets can be segmented that way. What I try to think about is the total proposition and actually trying to sit above the budgets. And so, when we started, for example, everybody put us in the social media bucket like, oh, you're a biddable platform; private, large UDC; social media. That's a very specific narrow bucket that's bought a specific way. We worked really hard to educate people that, one, we are a community platform. We actually have none of the social media dynamics. We have a buying mechanism that looks like that. That's good, but it's different. And now we have conversation pages, which are high-context pages where people are reading about specific products and services that you can keyword-target in.

And that looks a little bit more like search because you might be bidding at a keyword or very specific topical level, and you're in context or has aspects of being like a publisher where you're buying a topical page. And so, now we've moved to, okay, let's try to be agnostic to where the budgets sit. Let's talk about the proposition. And we float above many different budgets to make a total proposition for marketers. And I think that that's taken a little bit of time because marketers are very budget-focused, but I think it's a better position for us to be in so that we're not narrowly defined by a format. And I don't think we should be because Reddit's very different and very expansive in what contextual and interest-based targeting can be.

Laura Martin

Analyst, Needham & Co. LLC

Q

Questions from the audience? Okay, I'll keep going then. Okay. So, we're going to go to data licensing next. But let's talk about: how is Reddit internally using GenAI and AI to make its ad products better today? And what's your road map?

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Yeah. I mean, we're so excited about GenAI, not only for advertising but for our core consumer product, right? So, we talked about translation. We obviously – we're using AI. We built this LLM for – just for our platform, which helps with post guidance. So, a lot of new users try to make a post, and it fails because it doesn't meet the stringent criteria of the subreddit rules. And this helps get them through that and figure out, okay, if I just make these edits, I'll actually have my post go live. So, it's a much better experience, and I'll be really helpful in moderator tools as well and helping them scale so it'll allow them do more of the day-to-day work, and then they can focus on growth. So ...

Laura Martin

Analyst, Needham & Co. LLC

Q

Maybe you should go through that slower. Like the pieces, because you're taken for granted. Maybe people don't know how you actually get a post up on Reddit. You've now joined. You're a logged-in user. You want to post. Turns out, no, you can't just post like in Twitter. It just goes. But you guys don't – you have a moderator. Tell them about the steps and what you're talking about.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Yeah. So, on Reddit, in order to post, you have to, one, find the right community to post in, which AI can be very helpful matching you to a community. Let's say you're trying to figure out a car part, which car part – which car community should I post that in? The second step is, to post, you have to follow a set of rules, the subreddit rules, and then they might be very specific. So, in r/science, which is a community dedicated to talking about scientific research, you can only talk about research, I think, that's been reviewed in the last six months. It has to be very recent. It has to be peer-reviewed. And so, we will help you, remind you of these rules so that your post actually goes live into the community.

There are some subreddits where they say, ask Reddit. Here's a good example. You have to ask an open-ended question with a question mark. You don't put a question mark, your post isn't going up. Very small thing, but that alone can create a very bad experience for you where your post is rejected. And those are up to the community to make those rules and enforce those rules. So, we can help users have a more successful posting experience and help moderators give advice, right? So, a moderator might be annoying to have to give that advice. Hey, question mark. Remember, question mark. We could use computers to do that. Maybe use technology to do that. So, that, I think, is really – it's really exciting because there's a lot of posts that don't make it through today, and that's just more content and conversations that can help Reddit be even better.

Laura Martin

Analyst, Needham & Co. LLC

Q

And the machines can help make that...

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

Exactly. Exactly.

A

Laura Martin

Analyst, Needham & Co. LLC

And it would be like what I use in chat where the person would – the computer would say, hey, you forgot to put a question mark, or, hey, you – it was more than six months old what you're referring to, and this particular subreddit requires a six-month...

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

Reminder, check the date on the research. So, that's on the consumer side. And there's an endless list of things like that that can really take out friction from the user experience and from moderating. Then on the ad side, all throughout the platform, there's opportunity, right? You saw us launch an AI headline generator, which for SMBs is great because they don't have to think about making Reddity copy, which does help with the performance of ads. So, the AI headline generator, you can actually put in your URL. It will just give you ideas, and you can choose, and you have your ad created that feel Reddity. So, that takes out creative friction, for example.

A

Insights is a really important part of how our advertisers start thinking about how to work on Reddit. We had bought a company called Spiketrapp. They're experts in natural language processing. That's now been integrated into our tool called Reddit Pro, which is a free profile for businesses to get online on Reddit, be active in communities, and do some listening, some listening analytics to figure out where the conversations are happening about their product or about their brand. That...

Laura Martin

Analyst, Needham & Co. LLC

Is that keyword search? Like if it's Coca-Cola, if they search Coke, and then anywhere on Reddit where Coke is being talked about...

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

Keyword and category.

A

Laura Martin

Analyst, Needham & Co. LLC

Okay.

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

Yeah, keyword- and category-based

A

Laura Martin

Analyst, Needham & Co. LLC

Okay. And they have to pay for that, or they don't?

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

No, it's free.

A

Laura Martin

Analyst, Needham & Co. LLC

Oh, it's free.

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

It's free. We don't charge.

A

Laura Martin

Analyst, Needham & Co. LLC

Okay. Okay.

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

We want – I think there's been a real evolution in our thinking. Reddit was really built for people. It wasn't built for – [ph] eq/ (00:41:54) was one individual. And now I think we are evolving to also expand that vision because we believe that Reddit is a really good partner to businesses in many different ways. One, because they can get information that helps them think about how do I engage with certain communities that matter to me, what communities should I care about, and how do I want to show up with those communities. So, that's Reddit Pro; allows an organic entry point for organizations and businesses.

A

Obviously, we have our advertising platform where you can now transact against those audiences and expand them and apply marketing. And then we have data licensing where some businesses can take advantage of obviously the data that Reddit has to garner more business insights or build models. Or through the partnerships that we have with social analytics companies. A lot of businesses benefit from being able to mine Reddit data in social analytics companies to do even deeper listening. So, I think we've had just a much more expansive view about Reddit for businesses I'd say over the last year-and-a-half that we're really excited about.

Laura Martin

Analyst, Needham & Co. LLC

So how is it different today looking forward and how you think about monetizing Reddit for businesses? How is it different than 18 months ago?

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

It's a much more comprehensive suite of tools for businesses. Not all – so, the Reddit Pro is not about monetization. It's about engaging businesses on Reddit because it makes our communities better when businesses and brands and organizations, everyone from the NBA to Netflix to a beauty company, are on our platform organically engaging with our communities. They're talking about their brands and players and...

A

Laura Martin

Analyst, Needham & Co. LLC

Q

It doesn't pollute the authenticity of the – I thought one of the things you said, [ph] like advantages (00:43:54), is people are talking about real feelings.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Yes.

Laura Martin

Analyst, Needham & Co. LLC

Q

If Netflix is in there, constantly pushing Netflix, isn't that diluting the impartiality of the conversation on Reddit?

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

They have to follow the subreddit rules, and a lot of subreddits have rules where they say, look, this is not – you're not selling in this subreddit. We're having conversation. You have to follow the rules. So, in an organic space – and this is – they're Netflix and Washington Post. Their organizations have been doing this for years. They follow the rules and the spirit [indiscernible] (00:44:25). That's the idea. Now, they don't all have to engage. They can decide that they want to get insights and decide that they want to engage on their profile page, which is almost like their community because they haven't had a space before. So, now they actually have a space, which is their own profile, sort of their own community, or they can engage in communities that are moderated by Redditors, but they follow the rules. Everybody follows the rules about the spirit and the culture of those communities, and it's actually been really successful. The NFL is sharing highlights. There had – I mean, they did an AMA at the Pro Bowl. I mean, just they're having fun.

Laura Martin

Analyst, Needham & Co. LLC

Q

AMA?

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

An Ask Me Anything.

Laura Martin

Analyst, Needham & Co. LLC

Q

Okay.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

They had – they actually, at the Pro Bowl, sent some of the moderators there to the front line, and they actually created content for the subreddit that was in conjunction with the NFL. Like, that's so – that's what the fans want. That's what the people in the subreddit want. They're so excited to do that. So, that's why I think they're – it really unleashes a lot more engagement and a lot of fun for the communities because they're talking about these organizations and teams and companies and brands.

Laura Martin

Analyst, Needham & Co. LLC

Q

Okay. So, you think it really elevates the conversation to have the actual brand in the conversation?

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

I do.

Laura Martin

Analyst, Needham & Co. LLC

Q

Okay. Well, it's for sure good for the brands. Do you charge for it, or it's all free?

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

No, we don't charge.

Laura Martin

Analyst, Needham & Co. LLC

Q

I don't like that part. I'm a Wall Street analyst. I don't like that part. You're sounding French to me. I don't like that. I want you to charge money. No. Okay.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

We believe that those people will become advertisers.

Laura Martin

Analyst, Needham & Co. LLC

Q

Okay. Is that the goal, to turn them into advertisers?

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

I believe a lot of those customers can become advertisers because once you see the vibrancy of Reddit and the communities, you see future customers, and then that's the opportunity where we can bring you into the marketing platform. So, I view that as legion for our ads platform.

Laura Martin

Analyst, Needham & Co. LLC

Q

Okay. That makes sense, actually. Okay. So, let's talk about data licensing next. Can you share Reddit's philosophy on data privacy given its ownership of all this first-party data, and you only actually advertise using your first-party data, which is so far protected by all the governments?

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Right. So, for years, we've had a user privacy policy, and that protects – we believe users should have control over their data. And that's been – privacy is a right. It's been the cornerstone of one of the principles of the Reddit

platform. What you saw last week is we released a public content policy. And the public content policy says we love being open. We have been a beneficiary of the open Internet. We want people to be able to get the information they need. We have to have rules around that because there are crawlers and scrapers that are unidentified or have purposes that are not – that could be bad actors. And we want to make sure that users are respected; their edits, their deletions, that nobody's trying to target them, that we're – and we obviously prevent that, right? They're not – we don't allow user data to travel in terms of their private DMs and messages and e-mails, and we don't sell that data. So, we have very specific rules.

We've been clear that if companies are accessing Reddit data, we have to know what the purposes of that. Research is very clear. We have a path for researchers. We believe in research that exists. We'll continue to support research. But folks who are coming and scraping and benefiting commercially, we need to have a conversation with. And so, that's just making transparent how our set of principles around public content that allows – that says there have to be some rules for how our data is accessed. Those two pieces are foundational to allowing us to continue to have a dialogue with other partners about data licensing because those are foundational to anybody who wants to get access to Reddit data with commercial purposes for LLM training or AI training or whatever it is. And so, I think that that's really important. I think you'll see more of this because it's really important to us that our users are clear about how we are protecting their privacy and their – and the content of Reddit.

Laura Martin

Analyst, Needham & Co. LLC

Q

But do you foresee a day where you're making a lot of money because you're using these conversations to train LLMs, and they want to share the money because really it's – they're creating the value that you're then turning around and selling to the LLM?

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Well, we do want Redditors to make money, and that's the user economy. That's the third part of our businesses, right? So, we have advertising, which is the most mature and yet I think still very early; lots of opportunity there. We have data licensing, and then we have the user economy. So, the user economy is our vision for where we want users to be able to transact with each other, where they can have services between each other, and they can actually have an exchange of currency. So, you're going to see us – so there's a couple things that come together, and that's a set of features that come together. So, the first is the developer platform. We've been working on this for a while now, where there are hundreds of developers on this platform today who are building tools that sit on top of Reddit. They're expanding what a subreddit could be.

Today, subreddits are mostly places of altruistic conversation. It's how I describe them. But they're expanding what subreddits can do by making today – wallstreetbets has a stock ticker with the biggest trending stocks. They're making games, chess games, etcetera, interactive games that make subreddits more fun. They're making scoreboards that process data for sports subreddits, right, who are digesting stats. So, that's just the beginning of the kernels of ideas that they have today. But you can just think for all subreddits, there might be just different tool kits and post types that can make that subreddit go beyond conversation. So, that's a developer piece. And they can have an exchange. Eventually, you could buy apps. You can buy things in those apps and experiences. You can pay developers, and that is effectively user to user. So, that is something that we're actively working on; we're really excited by. I think that can unleash just a dramatically different experience on this.

Laura Martin

Analyst, Needham & Co. LLC

Q

I have a question about branding because one of the things you said early on is these conversations do not have a commercial component. One of the differentiating things and the reason there is unique reach is because there isn't somebody trying to have a hidden agenda to sell a product.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Right.

Laura Martin

Analyst, Needham & Co. LLC

Q

So, whereas you guys have subreddits that are like r/askmeanything, should these be under C, meaning commercial, or E for e-commerce because it feels like conflating these loses the lack of hidden agenda over on the conversation? It should be very clearly labeled that, over here, we're selling stuff, and there will be hidden agendas. I want to sell you my stained glass or, to me, this [ph] feel fairly (00:51:43) a conflict.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

It's a great question. It is – one of the core principles on Reddit is that everything be clear and transparent and – about intention. And so, that is a principle that is very important to us. I think for these scoreboards and these games, so ahead of paid exchange, they will – they're fine in the existing subreddits because they are enhancing the existing experience. Where you're going to see payment is we're doing two pieces of work. One is evolving our award system, which is the – where people pay for custom-designed awards today. And second is evolving Reddit gold, which is our virtual currency. So, the virtual currency is what will fuel the economy on Reddit. So, we're doing those two pieces of work.

So, I'm less worried about that today. That day may come, but more about the fundamentals of, okay, how do we get the currency and the paid award system? The next iteration of that going while starting to cultivate a vibrant set of interesting, valuable use cases for developers. Let's get excited about the creations of the developers. And then I think we always believe the economic exchange comes once there's value. But let's get excited about the creativity. Let's unleash the creativity first.

Laura Martin

Analyst, Needham & Co. LLC

Q

Okay. Well, that'd be bad if you like – if people got really mad that they're now being sold to. Like, people get mad when, like, they – Netflix suddenly raises price or forces them into an ad-driven tier. They don't like change.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Yes.

Laura Martin

Analyst, Needham & Co. LLC

Q

So, if you undermine your core value proposition, I'm just going to have a conversation without economic agenda, to me, you might really irritate the core business.

Jennifer L. Wong
Chief Operating Officer, Reddit, Inc.

A

Yes.

Laura Martin
Analyst, Needham & Co. LLC

Q

And the new business of a user economy will take a decade to build.

Jennifer L. Wong
Chief Operating Officer, Reddit, Inc.

A

It will take a long time to build. It's a very deep change in user behavior. Remember, subreddits are, I think, self-inoculated to – they have their own culture, right? So, they have rules against selling or shilling in subreddits that are enforced. And the second is they have cultures where, even if it's not explicit, they have a culture that either supports or doesn't support that. And every single user is a moderator through voting. And so, if a brand – trust me, we've seen this over and over again.

Laura Martin
Analyst, Needham & Co. LLC

Q

You should explain the voting.

[indiscernible] (00:54:15)

Jennifer L. Wong
Chief Operating Officer, Reddit, Inc.

A

Right. So, every post on Reddit starts with zero votes, right? I told you it has to be posted into a subreddit, which is the place that is most sort of qualified to comment on the quality of that post because they're topical, kind of topically interested, self-selected folks, right? So, if you have a post about politics, on political subreddit, those people know about politics. They can determine whether that content's good. And then it might – more people might see it if it actually has more upvotes than downvotes. So, because every post on Reddit starts with zero, which is not the case in social media where you have a follower model, and somebody who has a lot of followers can post something good or bad, it will cut through from a distribution standpoint, it doesn't matter on Reddit. It starts with zero. Every post lives on its own merit. So, every individual gets a vote, and you have to get thousands of individual people to say, this is good. I'm going to vote it up. If something's controversial, it will also get voted down. And so, the net of the two might be right back at zero.

In order to have a post that gets a lot of views, you have to have the net ups be higher than the net downs, and each person gets one vote. So, it is hard – like, when you look at thousands of people who know a topic and are interested in a topic, that's what filters the quality on Reddit. That's what prevents bad content because people might filter for a bunch of reasons. They might filter because it's topically incorrect. They might say this is just not adding value. They might say this is offensive. Like, the way it's written is just offensive. It's against our culture. People shouldn't see this. There are so many reasons why people will create a boundary that says this is in or out, and that system has worked very well for us. So, commercial intent would be...

[indiscernible] (00:56:03)

Laura Martin

Analyst, Needham & Co. LLC

I was just going to say...

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

Would go into this.

A

Laura Martin

Analyst, Needham & Co. LLC

Right.

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

Would be the same. People would say, you know what? This is either violating our rule against commercial intent. This is not adding value because it's clearly self-promotional. Downvoted, it's not going to get seen.

A

Laura Martin

Analyst, Needham & Co. LLC

But then you can't do the user economy unless you do it along the side under a different set of an R with a different set of rules around commercial rules. Because you could set up different – I'm going to call them subreddits, but I really want to call them like the eReddit where it's actually that a commercial intent is why you use an E instead of the R.

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

You could do that. Like I said, the most important thing is that the experiences are good. No one's going to pay for anything if the experiences aren't amazing, right? The things you would pay for are: this game is so good, I want my avatar, or I want to unlock the next level. That's what you would pay for. Or this scoreboard, this stats package is so good, I need access to it so that I can play with it, right? It has to add value. It's not – that's why we call it an economy because we're not pushing these things. They have to naturally – just like a post on Reddit, they have to be good. And if they're good, that is what then people will come and say, okay, I'm going to pay for that. I'm going to pay for access to that. I'm going to pay for a little bit more [ph] on using that (00:57:21). So, the fundamental system, I think, is the same.

A

Laura Martin

Analyst, Needham & Co. LLC

Okay. And how does the user economy get phased in? Like, how do we see that in Reddit? Do we – is it just like it's going to be granular, like individual subreddits, will have like the scoreboard or the game? They'll be – so there'll be 10 of these sprinkled across all the Reddits? Is that – because there's 10,000 subreddits, so like is...

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

100,000.

A

Laura Martin

Analyst, Needham & Co. LLC

Q

Yeah. Okay. So, how does this – there isn't a single place, there's not a marketplace that we can sort of track?

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Good question. Right now, it's being tested in different subreddits. And so, it's really driven by the interest of the subreddits, right? We want moderators and subreddits to embrace this new idea, a new post type. And we like that. That's typically – we want to build this with our community.

Laura Martin

Analyst, Needham & Co. LLC

Q

Okay. All right. So, it won't be a metric that we get, like how many subreddits have these?

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

It's early.

Laura Martin

Analyst, Needham & Co. LLC

Q

Okay.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

It's early. But you can – if you're a Reddit user, you can start to see the experience in the subreddits I mentioned.

Laura Martin

Analyst, Needham & Co. LLC

Q

Okay. And how do you make money from this? I get how they – it adds value to your community, which probably elongates engagement length. I get that part. But is there any [ph] vig (00:58:35) for Reddit at all?

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

If you were just to imagine the possibilities, because we are sort of the platform on which everybody build and provide that – the developer platform, right, the code base, the hosting, in the transactions, we would be a facilitator of the transactions and, therefore, we participate in that. Yeah.

Laura Martin

Analyst, Needham & Co. LLC

Q

Okay. Okay. All right. So, when they're buying the scoreboard or when they're buying something that they feel valuable. Okay. Yeah. Okay. That makes sense. All right. So, going back to the licensing, one of the things that Reddit said on its first-quarter call is that they had done – you done seven – several seven-figure deals with social listening firms. Why don't you – what are they buying, and how many more social listening firms are there? And why don't you explain what social listening is for...

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Yeah. So, these social analytics firms, so we announced that Cision was one example. What they do is they take in data from a lot of different sources, and they provide – and for us, it's a filtered fire hose. So, the fire hose has real-time data from Reddit. They do this for peer platforms, too, and they provide filters and insights on it for a lot of different companies. A lot of marketers use it. Just general business professionals use it in order to figure out changes in consumer trends when they're building strategy, when they're thinking about building marketing campaigns, etcetera. So, this is a really common – it's an industry that's been around for years. It's actually well established in terms of the social analytics and the licensing that they've done in terms of the data. And we signed a number of these deals, and we'll continue to do that.

There's a lot of these firms. They're smaller deals. They're six-, seven-figure deals. But they are – it's a well-established market. And it's really good for Reddit because, like I said, the end user is typically a business who is trying to make business decisions, get insights to make – to start a marketing campaign, whatever it is. And that helps again bring us more upper funnel in terms of the minds of business decision-makers as they're garnering insights and doing planning. So, that's really good for us in addition to being a business.

Laura Martin

Analyst, Needham & Co. LLC

Q

Okay. Questions? Any questions? Okay. Great. I'm going to – so one of the things Steve said that troubled me, in answer to my question on the call, was that he said he – there would be terms under which he would not do a deal with one of the big LLMs. And we on Wall Street think about the big LLMs. It's the Amazon LLMs, it's the Google, which you already have a deal with them, and it's the OpenAI. Like these guys are going to pay \$200 million like Google did for its LLM. Can you walk through like under what kind of scenarios would you not take \$200 million, basically?

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

It's the things that I talked about before. We have a set of principles around user privacy and a set of principles around now our public content policy. And we want to make sure that whoever has access to Reddit data is using it appropriately that – in a way that respects user edits and deletions, isn't using it for targeting purposes, isn't using it to create a competitor to Reddit. So, these things are – is using it in a way that where, whatever they are building, Reddit is represented appropriately in the product and not disintermediated, but also uses the data in a way that we think makes sense. So, yeah, there's a lot – all of these partnerships are – they're complicated. They're pretty bespoke. I think we're being very thoughtful about them. We announced Google. We announced Cision.

Clearly, there's a path to doing both the social analytics deals and data licensing deals, right? There's a path because we've announced two of them. So, it's not intractable. It's just that these are really important, I think, for ensuring that whoever the partner is is acting appropriately regarding what is really important to us, which is the corpus of Reddit data. And I think we're being very thoughtful because the landscape is so new, and it is so dynamic. So, we are not committing ourselves forever to anything. I don't think anybody is. And that's fine. If there's value there, and these partnerships makes sense to endure, they will. If not, we have incredible amount of opportunity with our own data to build products and services for our users – I mentioned some of them before – on our platform.

So, if I just zoom out, this is just – the economic exchange is just one piece of the puzzle here. Yes, that is one way that Reddit can get value. But, again, if you just zoom out on the bigger arc here, yes, there's going to be an emergence of a lot more infusion of AI into everything we do. Search is likely going to evolve. Reddit is not. Reddit's value is going to go up because where are you going to find a place that has the original ideas, the original conversation that regenerates so quickly from humans that every single model needs to train on?

Laura Martin*Analyst, Needham & Co. LLC*

That's true.

Q

Jennifer L. Wong*Chief Operating Officer, Reddit, Inc.*

Where are you going to get fresh ideas? Reddit. And that's why our value has been increasing in existing search and why I think our value as a platform and company just continues to grow as our corpus grows, as it grows more globally, and as there's more synthetic and summarized content. Our data becomes more important to train on for freshness, and it becomes more important for people to get the authentic, real, unadulterated human experience and ideas. So, that's why these are all – over the next three to five years, I don't know what the landscape is going to hold, but if you believe that thesis, and we strongly, strongly believe that, we will benefit from having this corpus and being the platform that we are. So, whether it turns out in a line in the revenue on the P&L, one partnership, multiple, that's how I think about it. I just zoom out and say, I know we have something incredibly important and invaluable here that either is going to accrue value in the company and/or through data licensing or across [indiscernible] (01:05:09).

A

Laura Martin*Analyst, Needham & Co. LLC*

It's funny because none of the things you just articulated are how I think about the value of Reddit. What I think of the value of Reddit that is unique, that is not substitutable is how people use words because the English language, Americans allow the English language to update...

Q

Jennifer L. Wong*Chief Operating Officer, Reddit, Inc.*

Yes.

A

Laura Martin*Analyst, Needham & Co. LLC*

...and [ph] to be used (01:05:24) words – and so if you say, give me the coolest bar in LA to ChatGPT, it needs to know that cool isn't a temperature idea in that context. But the way it can learn that is from Reddit with real people using words today.

Q

Jennifer L. Wong*Chief Operating Officer, Reddit, Inc.*

Yes.

A

Laura Martin*Analyst, Needham & Co. LLC*

And that actually isn't substitutable. USA Today or Washington Post who are all written at the 12th-grade level.

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

Correct.

A

Laura Martin

Analyst, Needham & Co. LLC

And that isn't how you answer normal people when you teach them this.

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

Yes, new jargon.

A

Laura Martin

Analyst, Needham & Co. LLC

Yes.

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

New products.

A

Laura Martin

Analyst, Needham & Co. LLC

Buzzwords.

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

New buzzwords, new products, new cultures and vibes and descriptions.

A

Laura Martin

Analyst, Needham & Co. LLC

The latest product in the auto category.

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

The latest product. The new car came out. You have to review it.

A

Laura Martin

Analyst, Needham & Co. LLC

Yeah. The bumpers are weird, or it looks like a tank or...

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

Exactly. So, all of those things are part of the real-life human experience that some human has to go interact with the world in.

A

Laura Martin

Analyst, Needham & Co. LLC

Yeah.

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

And then it gets made into like a post or an artifact on Reddit, and there's just no other place that does that at that scale, at that breadth, and at that speed, and which it happens so quickly.

A

Laura Martin

Analyst, Needham & Co. LLC

Right. And if somebody asked GenAI about it, it has to have an answer, and the product may have come out yesterday, and the only people that would have that answer with a lot of data would be Reddit because I'm sure like the press covers it, but it's not enough data.

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

Right.

A

Laura Martin

Analyst, Needham & Co. LLC

And these LLMs are so big. I mean, they just sop up data.

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

Yes.

A

Laura Martin

Analyst, Needham & Co. LLC

They're running out of data to [ph] ride on (01:06:41).

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

They're running out of data. Yeah.

A

Laura Martin

Analyst, Needham & Co. LLC

Yeah. So, I assume that the big models like OpenAI and [indiscernible] (01:06:53) on Amazon, I assume they don't have problems with these terms. They're not trying to recreate Reddit presumably, and they're trying – I assume that they're willing to go abide by your terms, the big ones.

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

I can't comment on deals that we haven't announced.

A

Laura Martin

Analyst, Needham & Co. LLC

Okay.

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

But I think we've made it clear what's important to us. We obviously have a partnership.

A

Laura Martin

Analyst, Needham & Co. LLC

Well, you do.

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

So, we think that's tractable.

A

Laura Martin

Analyst, Needham & Co. LLC

Meaning replicable.

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

Yeah.

A

Laura Martin

Analyst, Needham & Co. LLC

Okay.

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

Meaning we think that [ph] the act (01:07:21) that these principles that we have and rules about how to engage we think don't limit the value of a data license in a partnership so – but I can't comment on any new deals that [indiscernible] (01:07:34).

A

Laura Martin

Analyst, Needham & Co. LLC

Yeah, okay. Okay. Well, Wall Street will be disappointed if we don't end up with deals with every one of the big, big LLMs. But to your point, I don't know how they have – I don't know how they can keep up with real-time answers without something like Reddit. And I don't know where the number two is. Like, if they don't do a deal with you, who are they doing a deal with?

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

Don't know.

A

Laura Martin

Analyst, Needham & Co. LLC

Q

So, anyway, I think it's interesting that 90% – I think it's 90% of your revenues still come – your user growth is faster in the US, and isn't it like 75% of your revenue comes from the US?

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

80%, yeah.

Laura Martin

Analyst, Needham & Co. LLC

Q

80%. Yeah, I think that's really interesting. I would have guessed that with the user growth, so much higher offshore that – is that just because ad markets aren't as robust offshore compared to the US?

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Well, our topography is 50/50 outside of the US and inside the US, and we've been pretty English-centric as a platform, right? So, we're still at the beginning of the journey of having non-English communities and posts, and that's the discussion we had about machine translation, which I think is super human in terms of unlocking this for us. So, their – our audience mix should be – and they can't – we look at our peers, they are more like 80/20; 80% outside of the US, 20% in North America, something like that. And we have, I think, that potential. So, that's part of the work we're doing. And that will then change the topography of our advertising business when the – because advertising follows the audience. So, I think that would change it. So, that is a massive, massive opportunity for us. And – yeah.

Laura Martin

Analyst, Needham & Co. LLC

Q

Okay. So, we have five minutes left. Any questions? I'm just going to give you the last question. If you – so from the point of view of your experience with Wall Street today, which is – you guys have been public for 30 seconds, but what are the three key things you want Wall Street – that you think Wall Street is missing? I mean, I think there's some really clear messages about Reddit. But when you think about what you think Wall Street – is it myths? Like you said, you brought up the word myth. Myths that Wall Street still has about Reddit that were no longer correct or things that you really want Wall Street to know that maybe we're missing. I would like you to sort of talk about those as the last question.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Okay. We have a couple. The first is I think there's been a little bit of a meme of you're almost 19 years old, and you're not profitable. What is going on with the business? And I think that that's – it's just a wholly wrong line of thinking. Yes, we have been around for almost 19 years, but this recent era, we started building advertising business about five years ago. And you just look at our P&L, you look at the structure of our business, our high gross margins, how we scale because of basically just hosting text on the Internet, and the leverage that we can get out of our model, I think that that's just a misleading headline because you can see, Q1, we're already adjusted EBITDA positive. We see a path to GAAP profitability that's on our radar. That's the next milestone. Like you just look at this business, it is so advantaged structurally. So, I think that that's wrong. That's a headline and a meme that's a little bit out there that I would say is, I think, misleading if you did underneath.

The second is, I think, user growth, and there's been a lot of questions about, gosh, you've been around for 19 years, and your user growth has recently accelerated. Is it sustainable? Like how much headroom is there? And you just heard about some of the opportunity there. Number one, our US traffic is growing the fastest. It's grown in many quarters. From the fundamental work we've been doing on onboarding and ML and recommendations, that alone in a mature market where we started in 19 years ago, having that accelerated growth, I think is proof of the amount of headroom we have by doing good fundamental product work and how many more users can be on the platform. The TAM for Reddit is limitless. If there's two friction points, one was the product in terms of onboarding and recommendations, which we've chipped away at, and you see our most mature market accelerate; and then language friction. So, this issue around translating, being able to operate and start getting content in moderation, going outside of English, which I talked about in terms of the AI translation. So much headroom there. But, again, that overhang of, gosh, why aren't you bigger after 19 years?

The third one I'll say is the ad business. Like, the ad business, there's no doubt that it's a competitive business. It's tough. There is a duopoly that dominates a lot of the spend, but it is a huge market. And it is a market that will always take advantage of new propositions. And even though the market is growing single digits in percentages, it grows 10, 20 Reddits a year. It's just massive, and it's a great business; high gross margins and a business where it scales with users. And so, I think we are much more – sometimes people say, wow, so tough, it's so competitive. How do you chip away its share? Well, the fact is our proposition is so different from everybody else, and it's very rare that you get a consumer platform of this size and scale with this deep engagement that has so early in its ARPU and ad journey and is so differentiated. So, those are the three things that I think sometimes we hear. And frankly, I hear all through them. And I think, well, I'm very optimistic about all three of these. Like these are – I can – we can see the opportunity across all these areas. So, those are the three.

Laura Martin

Analyst, Needham & Co. LLC

Fantastic.

Q

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

Yeah.

A

Laura Martin

Analyst, Needham & Co. LLC

I think that's a great summary. I'm going to call it there. Thank you very much. You guys will have a 15-minute break, but Jen needs to run. So, thank you very much for your time. Thank you.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2024 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.

Reddit, Inc.(RDDT-US) Schedules Needham Technology, Media, & Consumer Conference for 15-May-2024 8:45 AM ET

Thursday, May 09, 2024 09:14:09 PM (GMT)

Reddit, Inc.(RDDT-US) Schedules Needham Technology, Media, & Consumer Conference for 15-May-2024 8:45 AM ET.

Live WebCast URL: <https://wsw.com/webcast/needham139/register.aspx?conf=needham139&page=rddt&url=https://wsw.com/webcast/needham139/rddt/2255442>

Replay WebCast URL: <https://wsw.com/webcast/needham139/register.aspx?conf=needham139&page=rddt&url=https://wsw.com/webcast/needham139/rddt/2255442>

Reddit, Inc.
303 2nd Street, South Tower
5th floor
San Francisco, CA 94107 US
<http://www.redditinc.com>

Investor Relations Contact(s):
Jesse Rose

Copyright 2024 FactSet Research Systems, Inc. All Rights Reserved.

Event Type: Conf. & Pres

Industries: Internet

Primary Identifiers: RDDT-US

Regions: US

Related Identifiers: RDDT-US

Reddit, Inc.(RDDT-US) Schedules J.P. Morgan Global Technology, Media and Communications Conference for 20-May-2024 8:40 AM ET
Thursday, May 09, 2024 08:50:13 PM (GMT)

Reddit, Inc.(RDDT-US) Schedules J.P. Morgan Global Technology, Media and Communications Conference for 20-May-2024 8:40 AM ET.

Live WebCast URL: <https://jpmorgan.metameetings.net/events/tmc24/sessions/51454-reddit-inc/webcast>
Replay WebCast URL: <https://jpmorgan.metameetings.net/events/tmc24/sessions/51454-reddit-inc/webcast>

Reddit, Inc.
303 2nd Street, South Tower
5th floor
San Francisco, CA 94107 US
<http://www.redditinc.com>

Investor Relations Contact(s):
Jesse Rose

Copyright 2024 FactSet Research Systems, Inc. All Rights Reserved.

Event Type: Conf. & Pres

Industries: Internet

Primary Identifiers: RDDT-US

Regions: US

Related Identifiers: RDDT-US

07-May-2024

Reddit, Inc. (RDDT)

Q1 2024 Earnings Call

CORPORATE PARTICIPANTS

Jesse Rose

Head-Investor Relations, Reddit, Inc.

Steven Ladd Huffman

President, Chief Executive Officer & Director, Reddit, Inc.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

Drew Vollero

Chief Financial Officer, Reddit, Inc.

OTHER PARTICIPANTS

Ronald Josey

Analyst, Citigroup Global Markets, Inc.

Doug Anmuth

Analyst, JPMorgan Securities LLC

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

Justin Post

Analyst, BofA Securities, Inc.

Eric J. Sheridan

Analyst, Goldman Sachs & Co. LLC

Benjamin Black

Analyst, Deutsche Bank Securities, Inc.

Tom Champion

Analyst, Piper Sandler

Richard Greenfield

Analyst, LightShed Partners

Mark Shmulik

Analyst, Sanford C. Bernstein & Co. LLC

Andrew Boone

Analyst, Citizens JMP Securities LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon. My name is Julianne and I will be your conference operator today. At this time, I would like to welcome everyone to Reddit's Q1 2024 Earnings Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you. I would now like to turn the call over to Jesse Rose, Head of Investor Relations. You may now begin.

Jesse Rose

Head-Investor Relations, Reddit, Inc.

Great. Thanks, Julianne. Good afternoon, everyone. Welcome to Reddit's first quarter 2024 earnings conference call. Joining me today to share our results are Steve Huffman, Reddit's Co-Founder and CEO; Jen Wong, Reddit's COO; and Drew Vollero, Reddit's CFO. Their remarks will be followed by a Q&A session.

We issued our first quarter Letter to Shareholders earlier today and have made it available on our Investor Relations website and our Investor Relations subreddit, RDDT.

Before we get started, I'd like to remind you that our remarks today will include forward-looking statements, including those regarding our future plans, objectives, expected performance, and in particular, our guidance for the next quarter. Actual results may vary materially from today's statements.

Information concerning risks, uncertainties and other factors that could cause these results to differ is included in our SEC filings, including those stated in the Risk Factors section of our filings with the SEC. These forward-looking statements represent our outlook only as of the date of this call. We undertake no obligation to revise or update any forward-looking statements.

Additionally, the matters we will discuss today will include both GAAP and non-GAAP financial measures. Reconciliation of any non-GAAP financial measures to the most directly comparable GAAP measures is set forth in our Letter to Shareholders. Non-GAAP financial measures should be considered in addition to, not as a substitute for GAAP measures. Finally, today's conference call is being recorded and webcasted.

Now, I'll turn the call over to Steve.

Steven Ladd Huffman

President, Chief Executive Officer & Director, Reddit, Inc.

Thanks, Jesse. Hi, everyone. I'm Steve, Reddit's Co-Founder and CEO. And I'll be kicking things off for us today. Welcome to our first earnings call as a public company. I'd like to start off by saying thank you for spending a bit of your time with us today. We believe that great companies are built in the public markets and we're proud to have made the transition this quarter. Our IPO is an important moment for the company, and I want to say thank you to our employees, our users, and investors, who all made it possible. And I also want to say welcome to our new investors, particularly to our new user investors. For users to be able to own some of Reddit has long been a dream of mine.

Starting today and going forward, we want to include the community in this process. Our current plan will be to answer a few of their questions on this call, and then we'll do a few more on RDDT subreddit after this call. This process will likely evolve as we go forward. We also want to acknowledge the Research Analysts, who have been with us on this journey, helping us to prepare by not doing just the one, but eight practice earnings calls over the last two years. Very much appreciate it. Thank you.

We're happy with our progress this quarter. More people are visiting Reddit than ever before. Users grew 37% year-over-year in the first quarter. We averaged over 80 million users daily and 300 million users weekly and we grew across logged-in, logged-out and within the US and abroad. The most reliable way for us to grow Reddit is to make Reddit better. As such, our primary focus this year is to continue to make Reddit faster, easier to use, and safer. Our new web platform, Shreddit [ph] is up to (00:04:15) 100% of users, and it's more than twice as fast as the platform that replaces, speed equals retention, retention equals growth.

We also recently updated our native apps with instant comment loading. Comments and conversation are the heart of Reddit. And we made it faster and easier for users to join in. Our investments in machine learning and AI will continue to improve relevance, engagement and moderation. We have and will continue to use machine learning to improve our ability to help users find communities they'll love, which in turn increases engagement across the platform. And for moderation, we've trained our own large language models that have dramatically reduced the time required for communities to enforce their own rules. We're in testing – with this in a couple of communities right now, and we'll be rolling out more broadly soon. And to grow outside the US, we're using machine translation to unlock our mostly English corpus. We believe this will not only drive growth in the near term, but also over time will allow users from all over the world to connect regardless of the languages they speak.

Now, turning to some of our emerging areas as we think about the next generation of Reddit. A few of the initiatives we have here are the user economy, developer platform and search. The user economy refers to a

family of features that will allow users to spend and earn money on Reddit. Launching soon is a revamped version of user awards and Reddit Gold, which is our virtual currency that enables both of these things.

And our developer platform, third-party developers will be able to push the boundaries of what a subreddit can be. And we're excited with their early progress here. For example, WallStreetBets has livestock tickers for trending stocks and a number of Sports Subreddits that build live scoreboards for tracking. Historically, the value of Reddit for users has been in conversation about recent topics, but with improvements to on-platform search, we can unlock the huge amount of latent value in all of our past content, including all the answers, reviews and advice that we have and we're going to continue to invest here.

It's an exciting time that technology landscape is evolving and Reddit is becoming more important and valuable. Reddit is one of the largest places for authentic connection and conversation online. And more and more people are discovering and appreciating this. We believe Reddit is more important now than ever before, not only as an alternative to traditional social media, but as we enter the AI era where the value of our corpus continues to grow. The paradox I see is that as more content on the Internet is written by machines, there's an increasing premium on content that comes from real people. And we have nearly two decades of authentic conversation, unique perspectives, Ernest advice, honest reviews and answers to questions about every topic imaginable.

There are multiple ways Reddit benefits from the evolving ecosystem, and we're still in the early stages of exploring use cases for Reddit's data. This includes both internally to improve the platform and experience for users, and externally through partnerships. We remain committed to the open internet, but we need to be considered of where Reddit's data ends up and what it's used for. And we need to find the right balance between open and fair and respectful of our users. To wrap up, this was a strong start of the year for Reddit, and we're executing better than ever. We see so much opportunity, and could not be more excited about our future.

Thanks, again, for taking time with us today. And now, I'll hand it over to Jen.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

Thanks, Steve. Hello, everyone. Our IPO was an important milestone for Reddit and our communities, and I'm thankful for everyone that helped make it possible. I couldn't be more excited about Reddit's future as a public company. Reddit is still early in its monetization journey. I'm proud of what we've achieved to-date for Advertising business and our new and emerging businesses in data licensing and user economy. We aspire to be a leader in contextual and interest-based advertising. At every day, we are working to improve our advertiser solution and bring new advertisers to the platform.

In the first quarter, we successfully scaled and diversified our business, expanded partnerships and executed on our ads platform roadmap. Total revenue growth accelerated in the first quarter and grew by 48% year-over-year to \$243 million, the fastest year-over-year growth since Q1 2022. We continue to see traction with our strategies alongside a more favorable Ad market versus last year, and made progress in our emerging data licensing business. Total US revenue grew 53% and international revenue grew 30% year-over-year. International revenue represented 18% of total revenue in Q1. Advertising revenue grew 39% year-over-year to \$223 million, the third consecutive quarter of accelerating growth year-over-year. Other revenue grew over 450% year-over-year to \$20 million, primarily driven by new data licensing agreements we signed in the first quarter.

I'll first discuss our Ad revenue drivers. Our investments enabled us to drive performance for advertisers. Click volume doubled and we improved click-through-rates by over 40% year-over-year in the quarter. Our full suite of solutions across the marketing funnel continue to position us well for a broad set of advertisers. Our performance

advertising business, which drives traffic and conversions, drove more than half of our growth in the quarter. Ad revenue growth was primarily driven by increases in impressions delivered against a year-over-year decline in pricing.

We saw revenue growth across all of our managed channels. Our Scaled business, Mid-Market and SMB grew at a faster pace than total revenue. This is an investment area for us and was in line with our expectations. Our large customer service channel, which accounted for slightly over 60% of total revenue, saw broad-based growth. Looking at verticals, the Tech vertical returned to grow and we experienced particular strength in the finance, pharma and CPG categories, each growing over 50% year-over-year. I'm pleased with our [ph] progress to diversify (00:10:35) our revenue. And in Q1, there is no vertical that exceeds 20% of our Ads revenue today.

In terms of geographies, international revenue increased 30% year-over-year to \$43 million in the first quarter, an acceleration from 21% year-over-year growth in Q4 last year. This was driven by strength across large and mid-market customers in EMEA. We've also made meaningful progress against our AdTech roadmap. Here, we are focused on a few key pillars. Number one, improving usability for our advertisers and productivity of our salesforce. Number two, driving full funnel performance of our ad solutions, and number three, offering our advertisers Reddit unique solutions [ph] and creative but (00:11:21) they can't find anywhere else.

But first, to improve usability for advertisers, we focus on cutting down the campaign set up time for self-serve and small businesses. We're using advancements in AI to remove friction and reduce setup time. We launched an AI-driven headline generator for Simple Create, which is mainly a self-serve creation flow for small businesses. And we're seeing promising early activation and adoption rates. Next, to improve performance and measurability of our ad solutions, we made progress building out our conversion API ecosystem to capture more signals and improve our models that drive performance. We launched our [indiscernible] (00:11:59) late last year and in this quarter, we announced integrations with Tealium, a leading customer data platform and Google Tag Manager.

We continue to innovate with our ads products to bring our advertisers closer to our communities. We launched free-form ads, which provides advertisers with a versatile and creative format that drive deeper engagement with users. Testing has shown that free-form ads have a meaningfully higher click-through rate than other ad types. And we've seen double the number of campaigns per day since its launch. We also launched Reddit Pro, a free suite of AI-powered insights and tools to provide businesses an opportunity to establish and grow a meaningful organic presence on Reddit. We're currently in beta with over 1,000 businesses, including Taco Bell, Wendy's, NFLs, The Wall Street Journal, as well as several SMBs. We're also continuing to lay the foundation for the future of shopping on Reddit.

Users come to Reddit during their purchasing journey and value the rich, human-powered products and review discussions on our platform. We launched our first shopping ads and catalog index capabilities last year and are now testing dynamic product ads. We're pleased with the early results.

Next, I'll share an update on our data licensing business. Our data licensing business continues to grow and evolve as the market is still nascent. In the first quarter, we signed licensing agreements with various companies in the social listening space and with Google, as we previously announced. The financial impact of the signed partnerships are reflected in our Q1 financials as other revenue and in our revenue guide for Q2, which you'll hear from Drew shortly on. Over time, we will strategically explore data licensing partnerships as well as other uses for Reddit data internally, which we believe is also valuable in improving the platform and experience for our users and customers. Overall, we delivered solid results in our first quarter as a public company and remain focused on executing and fulfilling our mission. I hope you share the same excitement that we have in Reddit's future and look forward to the journey ahead.

Now, I'll turn the call over to Drew.

Drew Vollero

Chief Financial Officer, Reddit, Inc.

Thank you, Jen, and good afternoon, everyone. As we often say, Reddit has a powerful financial model that's straightforward, advantaged and scalable. The power of the financial model was evident in the first quarter and we reached an important inflection point. In the first quarter, we were adjusted EBITDA profitable, which is both a marked difference from a year ago and a positive start to 2024. The key to that success was that revenue grew over five times as fast as total adjusted costs. In the quarter, revenues grew 48% year-over-year, and total adjusted costs grew 9% year-over-year.

Let's summarize the highlights. DAUq averaged 82.7 million, up 37% year-over-year, driven by structural product changes that have increased speed, onboarding simplicity, and consumer connection to more relevant content. Domestic users were 50% of total users in the quarter. Logged in users were about 48% of the user base. Sequentially, we added 9.6 million users in the quarter, our largest increase in three years, with 60% -- with over 60% of those users being logged out.

Revenues were \$243 million, up 48% year-over-year, driven by both a strong acceleration in the ad business and the incremental data licensing revenue from new, large and small deals. Other revenue was \$20 million in the quarter, up 454% from last year. International revenues were \$43 million, up 30% year-over-year and 18% of total revenue.

Reddit's business model has a couple of distinct advantages, which really shined in the quarter in two areas. First, our gross margins remain best-in-class. Gross margins were 88.6% in the first quarter, up 500 basis points versus last year, driven by high margin revenue gains, lower hosting contract prices, tech stack efficiencies and the accretive margin tailwind from the new data licensing deals. Second, our CapEx remains very light. CapEx was about \$3 million in the first quarter and just over 1% of revenue. Low CapEx was a contributing factor to our positive free cash flow. That was \$29 million in the quarter.

As we scaled our business, we saw great operating leverage in two areas. First was leverage in operating expenses and head count. Non-GAAP operating expenses were up 10% year-over-year as we continued to hire selectively in strategic areas, such as sales, ad tech and machine learning. Total Q1 ending head count increased 2% sequentially and 4% year-over-year.

Second was operating leverage on incremental sales. In Q1, revenue increased approximately \$79 million year-over-year and adjusted EBITDA increased about \$60 million year-over-year, implying that over \$0.75 on the incremental sales dollar reached the bottom line in the first quarter. These highly profitable incremental revenue dollars really helped drive positive free cash flow and swing our business into profitability on an adjusted EBITDA basis. That said, we did have a GAAP net loss of \$575 million in Q1, driven by stock-based compensation-related taxes from the IPO.

Stock-based compensation, including related taxes for the quarter, was \$595 million, up from \$13 million a year ago, driven primarily by onetime expenses related to the vesting of restricted stock units in connection with our initial public offering. On a non-GAAP basis, adjusted EBITDA was approximately \$10 million in the first quarter, nearly a \$60 million improvement in the first quarter of the prior year. This marks our first profitable Q1 on an adjusted EBITDA basis, which in digital advertising is traditionally the slowest quarter of the year.

Positive adjusted EBITDA was a strong driver of cash flow for the quarter. Cash from operating activities was \$32 million in the first quarter, driven by improved performance and working capital improvements in DSO and DPO.

A couple of other financial notes of interest on cash and shares. At the end of the first quarter, cash and marketable securities ended at \$1.67 billion and includes all IPO proceeds at this point. Dilution from employee grants was about 0.6% of our fully diluted shares outstanding, as we issued about 1.2 million shares to employees in Q1. We view stock as a cost of our business and plan to manage dilution to be in line with peers in the low-single-digit percentage range over time. As we look ahead, we'll share our internal thoughts on revenue and adjusted EBITDA for the second quarter, which is where we have the greatest visibility.

In the second quarter of 2024, we estimate revenue to be in the range of \$240 million to \$255 million and adjusted EBITDA to be in the range of \$0 million to \$15 million. So, in summary, Q1 was a strong start to the year with accelerated user revenue growth and modest cost growth, which fueled solid margin expansion, adjusted EBITDA profitability and positive free cash flow.

Now, let me turn the call back over to Steve.

QUESTION AND ANSWER SECTION

Steven Ladd Huffman

President, Chief Executive Officer & Director, Reddit, Inc.

A

Thanks, Drew. Thanks, Jen. Okay. We're going to take a couple questions from the community quickly and then we'll turn it over to the call here. The first question from the community, how are your initiatives going in terms of licensing data for AI data models, plans to expand beyond Google?

The short answer is yes, but we're being considered and selective with our partners, especially for the large – the larger scale search and training deals. We need to be very considerate of where our data goes and what it's being used for, can't comment on deals that are under negotiation, but the landscape is bifurcated. There are a handful of large players and then there are many more smaller opportunities. And we're looking into both. That said, not all players in the ecosystem I think are good fits for Reddit. We're in early days here. I'd say big picture, we have seen an increase in interest in Reddit's data for various uses. And so, we'll see – look forward to how this grows looking forward.

Okay. Second question, Jen, I think this one's for you. Can you go into specifics about what types of advertising are most responsible for the strong increase in earnings? Is that mostly increased sales on previously existing types of advertising or new types of advertising on the platform?

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

All right. Thanks for the question. We actually saw growth in both supply and demand. I mean, let me talk about the demand side. So, across the funnel, we saw growth across the funnel, sort of a brand upper funnel, mid-funnel, which is traffic-driving as well as the bottom of the funnel, which is driving conversion. Brands in particular had a nice quarter and showed strength certainly relative to – I think Q1 2022 was the last – really strong brand quarter. So, it was really nice to see brand come back. And [indiscernible] (00:22:05) I'd say is doing really well because we have made those improvements in [ph] TTR (00:22:10) 40% year-over-year, doubling click volumes, a lot of efficiency for advertisers.

We also saw broad-based strength across the managed channels, particularly in mid-market and our large customer channel in North America and in continental Europe. And then, we have strength in verticals like finance, pharma, CPG and tech returned to growth.

On the supply side, while designing new ad placements is an opportunity, our inventory today really consists of two core ad types. It's the ad in the feed and the ad in the conversations or the comments page. We did see strong growth in conversation placement inventory from users spending more time reading comments and diving deeper, as well as from some ad platform work. So, both supply and demand were helpful and drivers in our business.

Steven Ladd Huffman

President, Chief Executive Officer & Director, Reddit, Inc.

A

Great. Thanks, Jen. Julianne, why don't we open up the line and take some questions from folks online?

Operator: Certainly. [Operator Instructions] Our first question will come from Ron Josey from Citi. Please go ahead. Your line is open.

Ronald Josey

Analyst, Citigroup Global Markets, Inc.

Q

Great. Thanks. Thanks for the question. And Steve, Jen, Drew, great quarter. I wanted to ask Steve on global DAUq's growing by 9.6 million sequentially. Just talk about the drivers here and the sustainability. Steve, I know you mentioned Shreddit is now fully rolled out. Improved search is doing better and home feed ML, but any insights on the sustainability of this user growth would be helpful.

And then, Jen and Drew, I think the comment was the ad market's healthy, but would love to hear your thoughts as we get into the back half of the year, certainly, tougher comps as well. Thank you.

Steven Ladd Huffman

President, Chief Executive Officer & Director, Reddit, Inc.

A

Sure. Sure. Thanks. So, user growth. Look, we're happy with the results. The main driver of growth is the product is better. And so, yeah, we mentioned Shreddit performance, both equals retention for users. Web performance also has been driving an increase in traffic from Google, which is driving the increase largely in the logged out users, but logged in users, which is the core of our business, the bedrock of our inventory, is also up 27% year-over-year. And the growth there is really driven by improvements to product quality. So, the sign-up has gotten much more efficient. Onboarding has gotten better and then home feed relevant. So, users finding content that's relevant to them and their first session is on Reddit and we've gotten much more effective at that.

We feel confident looking forward, because the growth that we've seen isn't a – it's not like a onetime spike. We've been adding users very consistently for the last year, roughly 2 million users a month – like 7 of the last 10 months and a million users in 8 of the 10 last months. And so, we – long story short, our work is working, of focusing on product performance and quality and that's driving retention.

I'd say the other thing we're looking forward to as we go forward is international growth. We're still 50/50 US versus non-US, but our peers are more 80% to 90% non-US. So, I think there's a huge opportunity there. I think one of the big unlocks for us in the near to medium term is machine translation. We're translating our entire

corpus that's today mostly in English into other languages and hope that that will help accelerate international growth.

Jen, Drew, do you want to comment on the second half of the year outlook?

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Yeah. I'll kick it off and then pass to Drew. [indiscernible] (00:26:10) ad market is healthy. Brand advertising is as strong as it's been since 2022. We're feeling good and many parts of our business are working well in Q1 and the first half and are well-positioned for the second half. So, our strategies are gaining traction. Ads, I like the vertical diversification. We like the accelerated growth in the mid-market channel and both in North America and in Continental Europe. So, a lot of positive traction.

The reality is Q1 just had an easier comp, it's a 12% year-over-year growth from Q1 2023. We do have low visibility into the second half. And 80% of our revenue is in the US and there is a US election which could impact our advertisers like campaigns, especially brand advertisers. And there's also inflation, geopolitical context and some tougher comps in Q3, Q4. But we feel like we've had a really solid start for strategy gaining traction. We feel good, but we just have low visibility into the back end of the year.

Let me pass to Drew to add some more color.

Drew Vollero

Chief Financial Officer, Reddit, Inc.

A

Yeah. No, I think that's well said, Jen. I think that it was a good quarter from us – for us, Ron, start to finish. Even March was very strong. I think as Jen mentioned, the comps in the first quarter are a little lower than the back half of the year. They're in the 20s. We also may have picked up some momentum from the IPO. Hard to say to identify that. But we did, as I said, see strength in March.

If you look on the cost side of things, I think we found a good rhythm right now. I think in the last four quarters, total adjusted costs have been up 5% to 15%, kind of average 9%. I think we're really at a place where we have good scale as a company and we're adding resources where it makes sense. I talked about adding resources in our machine learning teams and in our sales teams. I think we're at a place where we have scale and we're adding selectively. As you know, head count is by far and away the biggest part of our cost driver. OpEx is 85% of total costs here – total adjusted costs here at the company. So, I think we feel good at least for the next couple of quarters on how we're thinking about things, but we'll see how it plays out. And I echo Jen's sentiments on kind of the headwinds and tailwinds on the back half of the year and the things that we're watching.

Operator: Our next question comes from Doug Anmuth from JPMorgan. Please go ahead. Your line is open.

Doug Anmuth

Analyst, JPMorgan Securities LLC

Q

Thanks for taking the questions. I have two. One for Steve, one for Drew. Steve, you highlighted the large opportunity in on-platform search. Can you just talk about what excites you here for both users and with advertisers? And then, Drew, if you could just follow up on those comments a little bit more on the investment philosophy this year? And you pulled back a lot in 2023 that we're obviously seeing big incrementals in 1Q. Just how do we think about that 5x spread between revenue growth and cost growth as you go through the course of the year and beyond? Thank you.

Steven Ladd Huffman

President, Chief Executive Officer & Director, Reddit, Inc.

A

Sure. Thanks. So, first question is on platform search. So, look, a ton of our users run searches in their first session on Reddit. And so, when I talk about one of the biggest challenges and opportunities we face, being helping users find their home on Reddit, many of them are typing into a box exactly what they're interested in. And so, I think just from a user experience point of view, on-platform search on Reddit being great is a huge opportunity.

Now, today we do over a billion queries per month on Reddit, but I think there's an opportunity for quite a bit more. So, we've been investing in our search backend, some quality of life features like spell check and autocomplete are coming online as we speak. And we've got some, I think, very sensible and overdue improvements to the user interface coming up this year as well.

And then as the search product itself gets better, of course, then there's an opportunity to monetize those pages. So, there are no ads today on search result pages, but that's, obviously, a very high performing product elsewhere on the Internet. And I think there's no reason to believe that it wouldn't be for Reddit as well, because the intention is so explicit when users are searching. So, first up, improve the product for users. And then, I think when we feel like we have a good foundation there, we'll start looking at monetization.

Drew, I think the next question was investment philosophy.

Drew Vollero

Chief Financial Officer, Reddit, Inc.

A

Yeah, investment philosophy. Doug, thanks for the question. Look, in terms of the investment philosophy, it didn't change here. What your point about revenue five times as fast as cost, yes, nice to see for sure. It really was about the revenue line or the numerator expanding. Last three quarters, we've averaged about 23% revenue growth. This quarter, 48%. If I look at our total adjusted cost growth, last four quarters has been 9%. This quarter was 9%. So, the investments in the business stayed the same or consistent with the four quarter average. What really happened here is we were able to leverage those resources and really drive a top line that was meaningfully different, double the growth rate over the last three quarters. So, I think that's really what happened in terms of that.

I will tell you, that's an output metric. We didn't sort of design the quarter to be that way. I think internally long term, Doug, we'd like our revenue growth rate to be twice as fast as our cost growth. Like that's how we think about running this business over the long term. But there are certainly quarters where we can do better than that. And I think the first quarter was a prime example of that.

Operator: Our next question comes from Brian Nowak from Morgan Stanley. Please go ahead. Your line is open.

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

Q

Thanks for taking my questions. I have two. The first one just on the strong user growth. Is there any way you can sort of help us unpack a little bit the benefit of the new Google partnership, maybe any quantification of the incremental traffic or what you saw in traffic trends coming out of that from Google? And then, I guess, to follow up on that, where are you on sort of the Google SGE integration? Should we think of it as there sort of are more

queries are going to be integrated in over the course of the year to make this tailwind grow? Or sort of how does that relationship work?

Steven Ladd Huffman

President, Chief Executive Officer & Director, Reddit, Inc.

A

Sure, Brian. [indiscernible] (00:32:47). The biggest factor driving user growth is the performance and product quality, because that's what's driving retention and so, retention compounds into growth over time.

Yes, we're seeing a tailwind from Google. And you can see that in our logged out numbers. But that's not the agreement we have with Google around the data training, that has nothing to do with traffic. I think really the most – the biggest driver of uptick in traffic from Google is also performance. Google [indiscernible] (00:33:38) that keeps track of the performance of the pages it crawls. And we made those pages in some cases more than twice as fast, in some cases up to five times as fast. And so, that has a huge improvement in ranking.

We do see algorithm changes from Google. Usually, you can expect maybe two a year, but sometimes they help, sometimes they hurt. So, you'll never hear us celebrating or complaining about those, but you can see the consistency in our growth for the last year, create over a million users a month basically for the last year. And so, that's been – I think that's been really strong and consistent and speaks to the foundational improvements.

And then I think there's a secular trend that benefits Reddit, which is in the AI era, people value authentic content more, right, content written by humans. And that's what Reddit is and that's what Reddit has. So, I think there's a thirst for authentic opinions and advice and commentary and just conversations. And so, I think that's the kind of irony of the technology shift that we're going through is it's the value of humans and fresh ideas continues to grow.

Now, in terms of the Google Experiences, how their product impacts Reddit, that's one of the things we're considerate of when we do any sort of deal, which is like, how do you display Reddit data, making sure that folks link to us in that sort of thing? And so, look, I feel pretty confident in how this will play out. Look, we've been a beneficiary of Reddit being in Search and in Google for a long time. And so, I think Reddit being well-indexed is good for our respective companies. But most importantly, it's good for the end user who gets to find answers to their questions, gets the – it brings new users to Reddit, it helps them find their home on Reddit. And so, I think Google getting better and better at displaying our content can only help and we've seen that play out for over a decade now.

Operator: Our next question comes from Justin Post from Bank of America. Please go ahead. Your line is open.

Justin Post

Analyst, BofA Securities, Inc.

Q

Great. I'd like to ask one more about users and then just guidance philosophy. Certainly, a good user quarter. Just wondering about retention and churn. Are you seeing more people come at the top of the funnel and that's driving it? You talked about logged in, of course. Or are you just seeing less churn or are people coming in more frequently? So, weeklies are coming in daily? Or is it everything? But maybe a little more color on that.

And then, Drew, maybe on the guidance, since this is your first quarter, just tell us a little bit more about your guidance philosophy. Sequential is maybe a little less than last year. Maybe it was a really tough comp. But just tell us how you think about guidance that you want to provide each quarter. Thank you.

Steven Ladd Huffman

President, Chief Executive Officer & Director, Reddit, Inc.

A

Sure. So, on users, the credit has long had a massive top of funnel. We've been reporting more than 500 million monthly users for quite some time. Now, we only update that user, that number periodically because we really run the business on dailies and weeklies. And so – but the way we think about it is we need to improve user retention. Like, we're pretty confident that just about every user on the Internet is going to bounce off Reddit periodically, whether it's through search or word of mouth or this or that. The challenge to us is can we retain those users. And so, that's where our focus has been on quality, performance, onboarding. And so, we've seen really nice improvement to new user retention and user resurrections and so, bringing old users back. And so those are the input metrics that we really look at when we're building new products and those compound in the growth. So that's why I keep saying I think what we've done has made improvements to the foundation.

And we get to mine those improvements for some time as opposed to this is maybe a onetime – a onetime shift or things – we had a good quarter. The product is simply better and we're benefiting from that now.

Okay. Second question I think, Drew, was on guidance.

Drew Vollero

Chief Financial Officer, Reddit, Inc.

A

Right. Justin, high level, we will guide on a quarterly basis one quarter ahead, we'll do revenues and we'll do adjusted EBITDA. That's what we're comfortable with at this time. In terms of the second quarter guide, I take your point. We grew 48% in the first quarter. The midpoint of the guide is mid-30s. So there is a bit of a little bit of a decel there.

Look, I think as we mentioned, it was a strong quarter for us top to bottom. The month of March was very good for us, as I mentioned. I think we're just looking at the comps a little bit. I think that's a little bit driving where we are at this point. The comp was, as Jen mentioned, 12%. In the first quarter, the comp is 23%. I do think we might have gotten a little bit of tailwind from the IPO in the first quarter. We'll see if those tailwinds continue. Couple of other things that kind of works in our favor in the first quarter, right? You get an extra day with Leap Day. Easter was a little bit earlier. Like all the things kind of worked a little bit. But overall, as Jen said, it's a good solid start to the year for us and we'll sort of see how we do.

I think bigger picture, we're keeping our eye on a couple of things, particularly geopolitics. I think that is the one thing that can affect you intra-quarter depending on sort of what the geopolitical situation is, brand advertisers can pull advertising if things aren't where they wanted to be from time to time. So those are the – that's probably the biggest one, we're looking at inflation and elections too. Those are the other couple of things that we take a look at. But overall it was a good quarter, first quarter and we ended with momentum. We'll see how the second quarter plays out. But it really is kind of comp-driven and sort of a couple of tailwinds that we had in the first quarter. We'll see if they continue in the second.

Operator: Our next question comes from Eric Sheridan from Goldman Sachs. Please go ahead. Your line is open.

Eric J. Sheridan

Analyst, Goldman Sachs & Co. LLC

Q

Thank you so much. Maybe if I could ask a two-parter for Jen. Jen, when you're out talking to advertisers and thinking about the future of the platform, number one, which platform initiatives and product initiatives are

resonating the most in terms of driving either advertiser count or advertising spend as we get deeper into the 2024 budget cycle? And as you go out and have those conversations, what are still the big [ph] asks (00:40:23) or friction points you and the team are trying to solve for to bring more advertiser count budgeting beyond 2024 on your long-term roadmap? Thank you.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Thanks for the questions. Well, I'd say, I think our aspiration to be a leader in contextual interest-based advertising is very differentiated and it resonates with all of our advertising partners. And the idea that Reddit can be a full funnel solution, I think, is very attractive. And we've made good progress against that. And we started at the top of the funnel with brand. I think we have really done a lot of work and delivered a lot of performance and efficiency at the mid part of the funnel with the continuing growth in click-through rates and click volume. And now, with launches like dynamic product ads and we have the catalog [ph] ingest (00:41:19) last year and the work we're doing in app install and conversions at the bottom of the funnel, I think advertisers see how serious we are in delivering value at the bottom of the funnel. So, this idea of being full funnel and being differentiated in terms of our targeting capabilities I think is really resonating.

We are focused on laying down signals for the bottom end of the funnel. So, you see the work we did with our Google Tag Manager partnership and Tealium. We'll look at more of those. So, CAPI and conversion API are incredibly important for signals into the models that we're building at the bottom end of the funnel and just working with advertisers to start testing spend against the solutions and continue to iterate. So, I think there's real excitement about, wow, you're doing great in brand and mid-funnel and now the lower end of the funnel is potentially going to open up for us to go truly full funnel. That's really, really exciting. So that's what our advertisers are, I think, particularly excited about to just have that additional objective.

Operator: Our next question comes from Benjamin Black from Deutsche Bank. Please go ahead. Your line is open.

Benjamin Black

Analyst, Deutsche Bank Securities, Inc.

Q

Great. Thank you for the question. Steve, I know you're pretty excited about the developer program and how that could be transformative longer term, but more near-term, what are some of the investments you see as necessary to build that out even faster? And could the sort of developer platform have a potential positive implication for the ad business as it grows? And then, the second one, I'm not sure if this is for Drew or for you, Steve, but obviously a big quarter of logged out user growth. But just given the fact that logged in users monetize at a slightly higher rate, can you just sort of help us understand what the strategy is to convert more of the logged out users to logged in? Thank you.

Steven Ladd Huffman

President, Chief Executive Officer & Director, Reddit, Inc.

A

Thanks for the questions, Ben. So, first, developer platform. Yes, I am very excited about it, but I would actually frame the developer platform as a relative near-term opportunity. We've got a couple hundred developers playing with it now. Some of their work is in production as we speak, so, some of the kind of scoreboards and stock tickers and things like that. But we can see in development another level of interactivity.

Our goal is to get this fully open for all of the developers off our waitlist and there's thousands really, like call it this summer and then started getting the monetization features in there later this year. And so, I think there's a lot of

opportunity there. All hands on deck trying to bring this to market. So, I think the developer platform and the new Reddit Gold in the user economy kind of dovetail together really nicely later this year.

And in terms of the dynamic between logged-out and logged-in, yes, the bedrock of our business today is logged-in users. And we see plenty of logged out users, particularly from Google. I – but I don't think from a product point of view, the best strategy for us is to try to convert a logged-out user into a logged-in user in any particular session. They're usually coming from search. They have a question and we need to give what they're looking for, as an answer and we want to give them their answer.

Now, I would look at the total DAU as the -- look at – think of that as the – like opportunity down the road. Those are users. Those are human beings that are on a Reddit platform for various reasons. We just know that in any particular session, not everybody is looking to join a community and have a profound experience. Sometimes they just want an answer to the question and that's okay.

The other thing I think that's really important is that we grow our ability to monetize logged out users. Most of them are landing on, what we call, a post detail page or a comment page, just a very specific page. In many cases, it's talking about a specific product. There is an ad unit on that page, but I'd say we're still in early days there, getting advertiser density so that we can have a well-targeted ad on all of those pages. And so, I think there's lots of potential in monetizing logged-out users.

So, in summary, I'd look at it, the logged-out users today represent potential for future logged-in users. They also represent potential in monetization in their own right as well. But from a product point of view, we focus on the logged-out users having a great experience for what they're trying to do. And when a user hits us opening the app for the first time or coming to our front page, really focusing on giving them a great experience to maximize their retention.

Operator: Our next question comes from Tom Champion from Piper Sandler. Please go ahead. Your line is open.

Tom Champion

Analyst, Piper Sandler

Q

Hi. Good afternoon. Steve, I'm wondering if you could talk a little bit more about the machine translation tools that you're building and maybe with an eye towards the overseas market. I think the release talks a little bit about French or the French language maybe being somewhat underway. And just curious what you're seeing with the user trends in – maybe in France or other French speaking countries? And then, maybe for Drew or Jen, very early days in data licensing. And I think we're all very interested in it and just curious, the early learnings, either financially or the potential with the product, any thoughts there would be really helpful. Thank you.

Steven Ladd Huffman

President, Chief Executive Officer & Director, Reddit, Inc.

A

Thanks. Great question. So, the first one on translation, so one of the things, I think that's the most exciting for us with large language models is the ability to do translation at human level quality. This was just quite simply, technology that didn't really exist a year ago, and now, we can translate Reddit's entire corpus into another language. And so, French is the first language we're doing this in. It's in testing now, and the results are looking very promising. And so, if you're a user in France in this test group, you can see all of Reddit, including like big blue chip communities like AskReddit entirely in French. And so, this is leading to, as we would hope, improves retention and time on site and then growth among these users. And they're also seeing this content get indexed

by French language Google. And so, we start to see new users coming to that content as well. And so, I think really promising start here. We're going to do more languages this year as we get the product polished. But the next one would be Spanish, which I think represents a pretty big opportunity. So this is very exciting.

I think, I keep saying everybody has a home on Reddit. Today, that's a true statement if you speak English, but we want to make that a true statement for everyone in the world. I think it's not a matter of if, but when and we want to make that when as fast as possible. And so, I think this represents our best shot of dramatically accelerating our growth outside the US in a non-English market. Second question was about data licensing for – let's start with Jen.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Thanks, Steve. So, on data licensing, Steve mentioned, truly barbell business, where one part of the business is well-established markets, things like social listening, maybe financial markets. In social listening, I think we've learned there's clearly a – established market, there's interest in Reddit data for insights that lead to business decision making, marketing decision making and it is a new market that I think has potential to grow over time. But it's a lot of players and a lot of players in sort of smaller deals, but established market. I'd say another learning is in this barbell site, we'll take care of certain verticals like finance, et cetera, which are a little bit outside of our domain. Potentially working with partners, who have access to distribution is very interesting to us as we learn those markets. So that's something that we're thinking about.

On the other side of the barbell, which are fewer deals, fewer partners and probably handful, but larger are the folks, who are AI model builders. And on that side, I'd say, these are mid-term deals as how we think about them, because it's such a nascent in early market that we want to see how things unfold. So, not forever, but longer to understand our value. And user privacy is very important to us. And that's very important in how we craft these partnerships and consider partnerships and making sure that users there – when they have edit and deletions are respected, is very important to us.

I'd say partners, where we're non-competitive and where we can grow together. It's not always the case. And so, we just want to be sure that the partners are right fit even over the mid-term. So those are the things that I think we've learned in there. I'd say, the AI partnerships there, were sort of more selective given all of those pieces.

Drew Vollero

Chief Financial Officer, Reddit, Inc.

A

I just want to add two things...

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Drew, do you want to add...

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Yeah. Let me add two things on the financial side, Tom. Both positives. I think, as Jen said in the barbell market, it's been nice to see on the smaller side. There are seven-figure deals available there. And so that's been nice to see the team work hard and get those done. So that's been a benefit for a company like ours. And then, the other piece is just sort of the cost of putting together the data as we're pulling it. It's a high gross margin business to begin with. This has really been accretive to our business that the cost of preparing the data is probably a little

less than we thought it would be and really flows through quite well in the P&L is one of the keys to success that you see in our first quarter numbers.

Operator: Our next question comes from Richard Greenfield from LightShed Partners. Please go ahead. Your line is open.

Richard Greenfield

Analyst, LightShed Partners

Q

Hi. Thanks for taking the question. I guess, I wanted to follow up, Steve, on your answer about Google. You really talked about how Google indexing for AI will ultimately be good for Reddit in the long term. But I guess, what I love to reconcile or help understand is when consumers are using AI platform, like I go on ChatGPT or I go in Gemini and when I'm searching for something, I'm sure I'm getting content that I believe is coming from Reddit. But it doesn't say this came from Reddit or this – like when I go to Google and do a Google search, I get a very clear set of links that say, these are from Reddit and I click it and I go to a Reddit page. That doesn't happen in AI. Will that happen in AI? Is that the future that we see? And I'm just trying to understand traffic – does traffic end up slowing to things like reddit.com into your app versus these applications where you're making money? How do you see this evolving? Because I think it obviously is impactful to your brand and what your brand means to the consumer.

Steven Ladd Huffman

President, Chief Executive Officer & Director, Reddit, Inc.

A

Thanks, Rich. Great question. Look, when we do these agreements and the ones we have so far are very clear that if you're using Reddit's data in an answer, like in your example, you have to link the Reddit or you have to say Reddit, you have to use our branding, you have to link to us. And I think that's – it's really important to your point. We are starting from a position of we would like Reddit to be out there. I think, it's good for the consumer. I think it's been good for our platform. We've lived that for a long time in search and I think of the AI products that we know today has really extensions of search, right? Users are typing into a box what they're interested in and getting answers.

Now, will people be able to take Reddit's data, not send any users to us, take credit for themselves and enrich themselves? Going forward, the answer is no. I think our historical way of handling public data no longer works, right. In the past, I think crawling Reddit benefited the whole ecosystem, including users on our platform as we said, but increasingly, we are seeing folks who hoard public data and they use it to enrich themselves. So, we're open minded about having relationships with companies like this and being included in search and use for training. But it will come with guardrails, with agreements that protect our platform and our users.

Similarly, in the past, this Reddit's been open for research and we want to preserve that. And so, I think there are uses of Reddit that are outside of use -- outside of Reddit that are really important. And I do want to be clear, under no circumstances will we ever license behavioral data or data that is not already public. But I think these guardrails are really important. And so, look, we're open and we're open for business, but we're not just going to give it away. And I don't think companies that have taken or continue to take our data can expect to continue to do so with no repercussion.

Operator: Our next question comes from Mark Shmulik from Bernstein. Please go ahead. Your line is open.

Mark Shmulik

Analyst, Sanford C. Bernstein & Co. LLC

Q

Yes. Hi. Thanks for taking the question. Just a longer term strategy one, as we kind of get our first visual of Reddit as a public company, but as you think about all the different efforts that you've kind of shared underway around advertiser diversification, more ad product, the user economy, data licensing efforts, any way to think through dimensionalizing, how you're thinking about prioritizing investments across all those monetization initiatives? Thanks.

Steven Ladd Huffman

President, Chief Executive Officer & Director, Reddit, Inc.

A

Yeah. Look, I'll start and if Jen and Drew have anything to add, but our top priority and where most of our resources go is the core of Reddit. And so, this is – the community and conversation platform, our apps, and the website and then the ads business. I think there's a tremendous amount of potential in this area. So, I think we can grow users quite significantly, both in the US and even more so outside the US, and then we've got a long way to go on ads. I think we're very happy with the progress, but really it still feels like we're at the beginning of our journey. There's just so much upside. And so, that's the core of what we do and how we think about the future.

And then kind of our next couple of chapters are, yes, the user economy and developer platform and the search opportunity. So, I think of this just like a 70/20/10 model, where it's 70% on the core of our business and then the rest on these future initiatives. Now, the things our future initiatives, user economy, developer platform search, they're pretty down the fairway for Reddit, right? This, I think, are very sensible opportunities to expand the platform and to grow our business. And so, it's not too far afield. I think all of these things kind of fit together in a nice way. And of course, the other big opportunity, right, the international growth machine translation, I put that in the core, but it has a tremendous amount of upside itself.

Jen, Drew, what would you add?

Drew Vollero

Chief Financial Officer, Reddit, Inc.

A

Well, from here Steve, I would just add that the margin profile of the business just really encourages investment. We have so many things that I think sort of lead us to want to invest in this business at least in – we think of our business as a three-legged stool, right, in terms of Ad revenues and Licensing revenues and then kind of the user economy piece. But at least in the first two, we've got a great collection of high margin, immediate payback, no capital. Like that's where the Ad business is and that's what we're finding the Licensing business here. The investments are really head count driven. And so those are just easy businesses to track. It's easy to see from the accountability perspective what you're progressing here, but the high gross margins give you a good chance for the payback. The immediate term, you can course correct if you need to. It really does sort of set yourself up to really look for the right investments and accelerate the revenue growth rate. That's how we think about things sort of conceptually.

Now, this third leg of the stool as it relates to the developer platform, the user economy that's coming together now. And so, we'll see what that ends up being. Right now, we're doing kind of more product market fit work. But overall, this – the dynamic of the first two pieces of business, Steve, I think are just really unique and special in the sense that they're short term, high margin, no capital. Those are really financially easy places to invest where you can see your payback quickly and of course correct if you need to.

Operator: Our last question today will come from Andrew Boone from JMP Securities. Please go ahead. Your line is open.

Andrew Boone

Analyst, Citizens JMP Securities LLC

Q

Thanks so much for taking my questions. Two, please. The first for Jen. You talked earlier about scaling the business and adding diversity as a key area of focus. Can you just talk about your progress here, especially given the strength that you saw in SMB in this last quarter, I think there was 50% growth in the skilled business area? And then, Steve, a bigger picture question. Video is one of the key trends across in-app time spent at launch. Can you talk about how you think about video and how you're incorporating video onto the platform? Thanks so much.

Jennifer L. Wong

Chief Operating Officer, Reddit, Inc.

A

Let me take the first, Steve. We're diversifying on multiple fronts. Number one, in terms of geography, growing our monthly active advertisers outside of the US. Number two, in terms of advertiser size. So, the scale channel, which is mid-market advertisers and SMBs, we saw strengthen in Q1. It's been an area of investment for us. What I like about those advertisers is, they really start at the mid-funnel and they tend to be more performance-oriented. And I think they're benefiting from some of the performance improvements we made in the platform. And there is thousands more advertisers in that segment that can be on Reddit. So, that is something we continue to work against. We're adding and growing our monthly active advertiser counts in that segment. That's a focus for us as well.

And then, verticals. Verticals or something over the last 12 months to 18 months that we've expanded into and continue to have a lot of opportunity in. In our large customer segment, while we touch top 300 advertisers, a lot of these have multiple business lines and we're only penetrated in a handful. And so, there's just a lot more opportunity in sub-brands and sub-businesses in – even in that segment, as we grow out, the different verticals and we see segments like finance and pharma and CPG growing 50% year-over-year just is a signal that there's just a lot of opportunity there. So, it's a priority for us. We are growing it monthly active advertisers and I think at Scale segment, in particular, there's just thousands more advertisers in our platform.

Steven Ladd Huffman

President, Chief Executive Officer & Director, Reddit, Inc.

A

Okay. And as for video, yes as you say, video is obviously, huge important content type on the Internet. I'd say when you think about Reddit, look Reddit is no different for what's worth, video is one of our fastest growing content types. More and more people spend more and more time on video on Reddit. But I do – I think from a product point of view, try to think of Reddit as being content type agnostic that it is whatever type of content that users want to use to communicate or tell stories, they should be able to do so on Reddit. So look, we've put a ton of effort into – in the last year, just the quality of our video player, making going in and out of video from our feed, making the just the day-to-day experience of watching video on Reddit better. And we've got some nice updates coming even in the near future towards that end. But look, images, static images and text are also hugely important to Reddit.

And so, a lot of our effort is how do we bring these things together in harmony? And so, I'd say the core Reddit product is – parts that are still under construction right now, making a mixed media feed work really well, where texts and links can hold their own alongside video and gifts and ads. That's been really important to us. I think we've made some progress, but I also think there's plenty of room for improvement there. So, we're going to – it's – my answer is similar to my answer on search. I think we'll make the video playing and creation experience on Reddit better when the product is really performing well, then I think we can start talking about monetization. Obviously, it's a huge monetization potential on Reddit. So, we'll get there before long. But our focus right now is on making the consumption and creation experience better. I think there's plenty of room for improvement.

Steven Ladd Huffman

President, Chief Executive Officer & Director, Reddit, Inc.

Okay. I think we're at the top of the hour here. Folks, thank you so much for your time and attention. It's really exciting to be here, I think, for our first public earnings calls. But the folks have been with us helping us do this for so long, again, we're so grateful and we will talk again soon. Thanks, folks. Bye.

Operator: This concludes Reddit's Q1 2024 earnings call. You may now disconnect.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2024 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.

Reddit, Inc.(RDDT-US) Schedules Q1 2024 Earnings Call for 7-May-2024 5:00 PM ET
Thursday, April 11, 2024 10:48:09 PM (GMT)

Reddit, Inc.(RDDT-US) Schedules Q1 2024 Earnings Call for 7-May-2024 5:00 PM ET.

Press Release URL: https://investor.redditinc.com/files/doc_news/Reddit-Announces-First-Quarter-2024-Results-2024.pdf

Live WebCast URL: <https://events.q4inc.com/attendee/586676522>

Replay WebCast URL: <https://events.q4inc.com/attendee/586676522>

Reddit, Inc.
303 2nd Street, South Tower
5th floor
San Francisco, CA 94107 US
<http://www.redditinc.com>

Investor Relations Contact(s):
Jesse Rose

Copyright 2024 FactSet Research Systems, Inc. All Rights Reserved.

Event Type: Earnings/Results

Industries: Internet

Primary Identifiers: RDDT-US

Regions: US

Related Identifiers: RDDT-US

**Reddit, Inc.(RDDT-US) Schedules Q1 2024 Earnings Release for 7-May-2024 4:07 PM ET
Thursday, April 11, 2024 10:48:09 PM (GMT)**

Reddit, Inc.(RDDT-US) Schedules Q1 2024 Earnings Release for 7-May-2024 4:07 PM ET.

Press Release URL: https://investor.redditinc.com/files/doc_news/Reddit-Announces-First-Quarter-2024-Results-2024.pdf

Reddit, Inc.
303 2nd Street, South Tower
5th floor
San Francisco, CA 94107 US
<http://www.redditinc.com>

Investor Relations Contact(s):
Jesse Rose

Copyright 2024 FactSet Research Systems, Inc. All Rights Reserved.

Event Type: Earnings Release

Industries: Internet

Primary Identifiers: RDDT-US

Regions: US

Related Identifiers: RDDT-US