

05 - 01 - 2025

Reddit Inc.

Q1'25 Earnings Call

Reddit Inc.

Q1'25 Earnings Call

CORPORATE SPEAKERS:

Jesse Rose

Reddit Inc; Head of Investor Relations

Steven Huffman

Reddit Inc; Co-Founder and Chief Executive Officer

Jennifer Wong

Reddit Inc; Chief Operating Officer

Andrew Vollero

Reddit Inc; Chief Financial Officer

PARTICIPANTS:

Ronald Josey

Citi; Analyst

Andrew Boone

JMP Securities; Analyst

Benjamin Black

Deutsche Bank; Analyst

Thomas Champion

Piper Sandler; Analyst

Kenneth Gawrelski

Wells Fargo; Analyst

John Colantuoni

Jefferies; Analyst

Eric Sheridan

Goldman Sachs; Analyst

Richard Greenfield

LightShed; Analyst

Jason Helfstein

Oppenheimer; Analyst

Alan Gould

Loop Capital; Analyst

Daniel Salmon

New Street Research; Analyst

PRESENTATION:

Reddit Inc.

Q1'25 Earnings Call

Operator: Good afternoon. At this time, I would like to welcome everyone to Reddit's Q1 2025 Earnings Call. I would now like to turn the conference call over to Jesse Rose, Head of Investor Relations. You may begin your conference.

Jesse Rose: Thanks, Kelvin. Thank you. And good afternoon, everyone. Welcome to Reddit's first quarter 2025 earnings conference call. Joining me today are Steve Huffman, Reddit's Co-Founder and CEO; Jen Wong, Reddit's COO; and Drew Vollero, Reddit's CFO.

Before we get started, I'd like to remind you that our remarks today will include forward-looking statements. And 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 first quarter letter to shareholders and accompanying earnings press release are available on our Investor Relations website, 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 Huffman: Hi, everyone. Thank you for joining our Q1 earnings call. Next month, Reddit turns 20. That's two decades of building something special on the internet, a user powered platform where you can be your honest self and connect over topics you care most about—whether popular, niche, or personal.

We've endured a lot of change over the years. The rise of smartphones, social media and now AI, a global pandemic, and countless trends in how people connect online.

But one thing has always held true. The world needs community and shared knowledge, and that's what we do best. Millions of people have contributed to Reddit being the eclectic and thriving place it is today.

And as a result, we have over 100,000 enduring communities. 20 years after our founding, we still have many opportunities and much to do.

We took a big step forward last year, becoming a public company, and I think we delivered strong results in our first year.

Reddit Inc.

Q1'25 Earnings Call

We carried that momentum into 2025 with another solid quarter of growth and profitability. Revenue was \$392 million, up 61% year-over-year, marking our third consecutive quarter of growth over 60%.

We ended the quarter with 401 million weeklies and 108 million dailies, both up 31% year-over-year, and we continue to scale efficiently while investing in the future.

There's a lot to be excited about as we make progress on our core product and ad business, and we look forward to walking you through those updates today.

Ever shifting macro environments like these create both challenges and opportunities. We've grown through challenging times before. People need connection and information just as much in uncertain times, and we're well-positioned to meet this moment.

Our unique advantage is that people come to Reddit with intent. They're not just scrolling, they're also seeking.

They come to Reddit for real opinions from real people. When you ask a question online today—whether it's about a product, decision, or life choice—you're not looking for generic answers or sanitized summaries. You're looking for lived experience from personal recommendations, which is why Reddit is the number one platform for finding “possible solutions to people's needs or situations”.

It's where half of all product conversations online take place.

For seekers, Reddit's open nature is essential. It allows our content to surface across the open web and be easily found in search.

We remain one of the last major platforms that doesn't require you to sign in to learn something because we believe that by giving everyone access to knowledge, we are helping fulfill the purpose of the internet. This openness broadens visibility, drives awareness and brings us new users.

But it also means that some of our traffic from external sources is variable. Ultimately, short-term shifts don't affect our long-term strategy or opportunity.

We control our own destiny.

On the core product side, we're focused on making it a seamless experience to create, contribute to, and discover communities. Here's how we're realizing that vision through our product roadmap.

Reddit Inc.

Q1'25 Earnings Call

First, using search to help people find what they're looking for on Reddit. Search will help new users opening the app for the first time find their home on Reddit, and it will help visitors from external search find the answers they're looking for. We're upgrading Reddit search and better integrating it throughout our product. Reddit Answers, our version of AI search, has reached 1 million weekly users, and last month, we began its global expansion, beginning with Australia and the U.K. We are now working to integrate it into Reddit's core search experience to further streamline the path from question to answer on Reddit.

Next, becoming a truly global platform by growing outside of the U.S.. Machine translation is now available in 13 languages, with more on the way. The focus markets where we've implemented our international playbook – including France, Spain and Brazil – are growing nearly twice as fast as total international users. For us, internationalization isn't just a way to grow; it's essential to our mission of providing community and knowledge to everyone in the world.

And finally, making Reddit more fun and easy to use. We're continuing to make it simpler and easier to contribute to communities. In March, we released a set of tools to streamline the contribution process for users, including posting comment guidance – which provides real-time suggestions to improve your post – post insights, and community suggestions. These improvements not only help users, but also meaningfully reduce the burden on moderators, as the content people contribute is of higher quality and better aligned with community rules.

We also have 400,000 people playing games and other interactive experiences built on our developer platform in Q1, showing that interactive experiences can thrive on Reddit, and we have more big ideas to drive engagement and premium content which will roll out later this year.

None of this happens without our communities. They are the heart of Reddit. From r/Minecraft to r/witchcraft to r/CraftBeer, every subreddit is a world of its own, built by the people who use it. This unique community model isn't just our history, it's our future. We're not looking to imitate any other platform. We're looking to make Reddit the best version of Reddit by being faster, easier, and better to use.

On Reddit, it's not about perfection, it's about participation. Not about broadcasting, but belonging. That's why 20 years in, we're still growing, still resonating, and still real - proudly. Thanks again for being with us on this journey.

I'll now hand it over to our COO, Jen Wong.

Jennifer Wong: Thanks, Steve. Hello, everyone. It was another strong quarter and a good start to the year for Reddit.

We continued our momentum from last year and grew total revenue 61% year-over-year to \$392

Reddit Inc.

Q1'25 Earnings Call

million in Q1. Our unique proposition and core platform improvements continue to drive differentiated growth and positive outcomes for advertisers.

In Q1, the advertising business grew 61% year-over-year to \$359 million, driven by broad-based strength across objectives, channels, verticals, and geographies. Let me discuss our ad revenue drivers.

Our strategy is to be a multi-objective ads platform.

In Q1, we continued to see growth across all objectives. Top of the funnel brand objectives accounted for about 40% of total ad revenue, consistent with prior quarters. Mid- and lower funnel performance revenue accounted for about 60% of total ad revenue, and was a major growth driver in the quarter.

Across channels, our scaled business, which includes mid-market and SMB advertisers, continues to be a revenue and active advertiser growth driver. The total number of active advertisers including large, mid-market, and SMB grew over 50% year-over-year in Q1.

We saw broad growth across verticals with 10 of our top 15 verticals growing over 50% year-over-year, led by pharma, retail, auto, telecom, and finance categories. Across geographies, U.S. ad revenue grew 56% year-over-year and international ad revenue grew 83% year-over-year – the fastest growth rate in three years.

For impressions and pricing, ad revenue was driven by year-over-year growth in impressions from underlying user growth, ongoing smart ad load work, increases in engagement, and improved monetization of the conversation page.

The ads and comments placement contributed about 6% of impressions in the quarter, and we're seeing healthy advertiser adoption and performance outcomes with this placement.

Ad pricing was up year-over-year. We are delivering more valuable impressions and advertisers are benefiting from efficiency improvements.

Now, moving to our ad stack. We're focused on three things: driving performance across objectives, improving usability for our advertisers and productivity for our sales force, and offering our advertisers Reddit-unique solutions and ad formats.

We made meaningful progress against each of these areas in Q1.

First, driving performance of our ad solutions. The lower funnel investments that we delivered last year – including ML optimization, measurement adoption, and format optimization – continue to drive positive outcomes and performance.

Reddit Inc.

Q1'25 Earnings Call

In Q1, we delivered more outcomes to advertisers through meaningful year-over-year increases in conversion and click volume.

We improved our ML optimization models and enhanced signal fidelity for our first-party pixel to improve tracking accuracy.

We're encouraged with our progress driving adoption of our measurement tools including our pixel and conversion API, CAPI. Lower funnel conversion revenue covered by CAPI tripled year-over-year in Q1. Over 90% of our managed advertisers have adopted our pixel, and we recently launched an integration between our pixel and Google Tag Manager, enabling easier adoption for new customers.

On formats, we're excited about the progress to date with our shopping ad unit, Dynamic Product Ads, or DPA, which is currently in beta testing. In the quarter, we improved our DPA format in two areas – performance and ease of use – and we're excited about the roadmap for the rest of the year.

We're continuing to deploy conversion and click prediction model improvements, enabling advertisers to onboard larger product catalogs with millions of products to deliver more relevant ads. In Q1, DPAs delivered an average of over 90% higher ROAS compared to campaigns from last year.

Now second, improving usability for our advertisers and productivity for our sales force.

We launched IAS brand safety and viewability in Q1, providing advertisers post-campaign measurement in addition to our pre-bid integration that we launched last year. We also invested in AI enhancements for our sales teams that enabled them to 10x the number of insights reports that inform campaign decisions and saw substantially higher revenue for campaigns with these insights.

Third, offering advertisers Reddit-unique solutions and formats.

We're leveraging Reddit's community intelligence including insights and signals from real conversations about almost every product and service to help businesses inform their strategy, learn more about their customers, and drive more performance. We've also launched enhancements to our upper funnel offerings.

In Q1, we began a series of upgrades to our premium takeover ad products to simplify the sales process and drive more value for advertisers globally. Specifically for category takeovers, which allow advertisers to own placements for contextually relevant communities, we're testing a more

Reddit Inc.

Q1'25 Earnings Call

visually impactful format and elevated placement, and we'll be working on more enhancements in this area in the coming quarters.

Coming off of our launch in Q4 of Reddit Pro Trends, the number of companies using Reddit Pro grew over 2x from Q4 with healthy engagement around the tool set.

Overall, I'm proud of our progress, and there's a lot to be excited about. Reddit is a differentiated platform and company, and we believe we are well-positioned with our roadmap and our go-to-market strategy to continue making more businesses successful on Reddit.

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

Andrew Vollero: Thank you, Jen. And good afternoon, everyone. Q1 was a solid start to the year for Reddit, with strong results quite similar to each quarter since becoming a public company last year.

Building on that thought, Q1 revenues were up 61%, consistent with revenue growth for the prior four quarters, which has averaged about 60%. Similarly, Q1 total adjusted costs were up 19%, consistent with the second half of 2024, where adjusted costs grew about 20%.

The financial performance for Q1 was again defined by the five financial strategies that have been consistent over the past several quarters, highlighting the company's solid fundamentals and scalable model. These headlines include:

One – differentiated revenue growth. In Q1, we delivered strong growth of 61% despite the tougher comps, well above most peers.

Second, scaling profitably. Adjusted EBITDA hit \$115 million in Q1 and GAAP net income reached \$26 million. That's good progress to be GAAP profitable in our historically slowest seasonal quarter of the year. We're also now GAAP profitable on a trailing 12-month basis.

Three, expanding margins. Adjusted EBITDA margin reached 29%, up over 2,500 basis points year-over-year, and the net income margin was 7%, up from a loss last year. Our incremental adjusted EBITDA margin was 70% plus for the fifth consecutive quarter. On the product side, gross margins expanded 190 basis points to 90.5%.

Fourth, generating positive cash flow. Operating cash flow exceeded \$100 million for the first quarter, ending at \$128 million, our highest ever, and our operating cash flow margin was 33% of revenue.

Fifth, minimizing dilution. Total diluted shares fell again sequentially to 206 million in Q1 as we continue to thoughtfully manage our share count.

Reddit Inc.

Q1'25 Earnings Call

I'll provide a bit more color on these headlines.

First, total revenue of \$392 million was driven by our advertising revenue, which grew 61% year-over-year to \$359 million and continues to scale rapidly across channels, verticals, and geographies.

Other revenue, which includes revenue from our data license business, reached \$34 million, growing 66% year-over-year. Regionally, revenue grew 57% and 82% year-over-year in the U.S. and International, respectively. International revenue growth accelerated to the fastest growth in over three years, as we deepened and expanded our advertising relationships in important markets including the U.K. and EMEA.

In the quarter, we saw three encouraging revenue growth drivers. First, performance revenue drove more than half the dollar growth in the quarter. Second, our Scaled channel, including mid-market and SMB advertisers, was also a growth driver, contributing more than half the dollar growth in the quarter. Third, impressions continued to be the primary driver, and consistent with other quarters. But new for this quarter, we also saw a nice tailwind from pricing in the quarter. We believe the gains in pricing reflect the progress from our investments in performance and targeting in the middle and lower funnel. We're delivering more clicks and conversions, which is driving more efficient ad spend and higher returns for our advertisers.

Now moving to costs. As we continue to scale revenue, our investments are focused in two areas: hiring and technology. Hiring is focused on sales and engineering, which is primarily expanding customer coverage on the sales side, and for engineering, we're adding resources in ad tech, machine learning, and search.

The traction from those investments has been strong, and we found a sweet spot where we have both accelerated revenue growth and kept high incremental adjusted EBITDA margins, well above our long-term target of 50%.

In Q1, total adjusted cost growth was up 1% sequentially and 19% year-over-year, less than a third of the rate of revenue growth.

Cost of revenue remained efficient, with gross margins exceeding 90% for Q1, up 190 basis points year-over-year. Gross margins benefited from incremental revenue growth and we saw lower contract pricing from our hosting providers from the new contracts we signed late last year.

That said, we reinvested some of those savings back across many important areas such as supporting user and ad revenue growth, using more machine learning, scaling search,

Reddit Inc.

Q1'25 Earnings Call

accelerating machine translation from international markets, and better optimizing our site speed and performance across the world.

OpEx growth was consistent with prior quarters, up 17% as total head count was up 13% year-over-year.

We ended the quarter with slightly more than 2,300 people, up 3% sequentially. The G&A head count was down 5% sequentially, reflecting our strategy to lever back-of-house expenses.

I noted on the fourth quarter call that we're focused on scaling profitably and turning differentiated revenue growth, high margins, and low CapEx into meaningful cash flow generation. We delivered on those dimensions in Q1.

Free cash flow for Q1 was \$127 million, 32% of revenue. Our CapEx remained light, less than \$1 million in the quarter. Cash and investments ended at \$1.95 billion, up over \$110 million sequentially. That's a healthy gain.

SBC was \$107 million, about 27% of revenue, down substantially versus prior year, which reflected the catch-up SBC expense from the IPO.

Net income was \$26 million or \$0.14 per basic share and \$0.13 per diluted share.

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 2025, we estimate revenue in the range of \$410 million to \$430 million, representing 46% to 53% year-over-year revenue growth with a midpoint of about 50%.

Adjusted EBITDA in the range of \$110 million to \$130 million, representing approximately 180% to 230% year-over-year growth.

So it's good to see Reddit off to a strong start in 2025. Our financial goal remains to continue to deliver consistent, strong, and differentiated performance. In the end, we'll measure that differentiated financial performance primarily with cash flow.

That concludes my comments. Let me turn the call back over to Steve.

Steven Huffman: Thanks, Drew. We're going to start, as usual, with taking one of the questions received from the community. That question was, "The core value proposition of Reddit is its meaningful human answers. How is the Reddit team protecting data quality from fake accounts or bots? It's super easy to make an account right now which I love, but does that not run a trade-off of more bot accounts?"

Reddit Inc.

Q1'25 Earnings Call

First, let's start at the top.

We fully agree. That's the value prop of Reddit, authentic content from humans, and that's what we want to preserve. It has long been an area of work for us, which is preventing the abuse or manipulation of Reddit. This is a new frontier in that fight, right, with AI and smarter agents. And it is very much top of mind for us.

That work continues, and we agree that some aspects of Reddit, like our historically permissive account creation, will need to evolve, I think during this time. So very important. Thank you for the question.

Okay. Back over to Jesse.

Jesse Rose: Great. Thanks, Steve, Jen, Drew. Kelvin, why don't we open up the line and take some questions from the folks on the line now. Thank you.

Operator: Your first question comes from the line of Ron Josey of Citi.

Ronald Josey: I had two, please. First, just Jen, I had a question for you on the advertising front. I know you mentioned broad-based strength earlier on the call. Talk just about what you're seeing currently from a macro perspective and how you see the ad market today and maybe how macro might impact the business? That's question one.

Then Steve, I wanted to get your thoughts on DAU's and users overall. More specifically, your sense and how you see user growth for the remainder of the year going forward? And I ask you this only because I think we've seen two or so Google algorithm changes since December.

So any thoughts on user base would be very helpful.

Jennifer Wong: Great. Thanks, Ron. I'll take the first one. Look, we ended Q1 with momentum. And as of April, we're off to a good start. I think we're well positioned with our roadmap and our go-to-market. I will acknowledge there's a lot of uncertainty in the market.

But so far, it's mostly business as usual.

We're delivering more profitable outcomes for customers with our roadmap work, and that's important in this moment. We're staying close to our customers to help them through the volatility by sharing insights on consumer trends that inform their strategy based on things that we're seeing on Reddit.

Reddit Inc.

Q1'25 Earnings Call

One thing I'll note is that in moments like this that are volatile or uncertain, Reddit is a really important resource for users, for people who are just trying to figure out "should I buy this now," or are becoming more considerate about their purchases because of the uncertainty, so they come to Reddit to navigate that.

And Reddit is an important partner to brands and businesses who are trying to understand how their consumers might be changing their behavior.

So I think we're well positioned for moments like this. Steve?

Steven Huffman: All right. Thanks. Thanks, Ron, for the question. Users and Google.

So look, we're happy with the start to the year. In Q1, we had 108 million dailies, 400 million weeklies. So that's 31% each year-over-year. We believe we're in great shape over the medium and longer term.

Look, ultimately, we drive growth when we make improvements to the product, which is where our focus is. So things like onboarding, search, machine translation, they all drive growth over the long term.

Now, look. Remember, we're an open platform, and we want people to find Reddit's content in search. Being open drives awareness and visibility, but it can also create variability.

We do expect some bumps along the way from Google because we've already seen a few this year. This is expected in any year, but given that the search ecosystem is under heavy construction, the near-term could be more bumpy than usual.

To give you an early read on Q2 through the month of April, we're seeing total DAUs growing in the high-teens range year-over-year.

But the short-term bumps don't affect our long-term strategy or opportunity. We're in control of our own destiny.

I think the question behind the question is, is there a long-term risk to Reddit here? And in my view, the answer is no. In fact, I think there's opportunity. There's no doubt LLMs will evolve search on the Internet. We can all see that. It's awesome.

Sometimes people will want the summarized, annotated, sterile answers from AI, and we're even building this ourselves in Reddit Answers.

But other times, they want the subjective, authentic, messy, multiple viewpoints that Reddit provides.

Reddit Inc.

Q1'25 Earnings Call

So in the same way that Reddit for the last decade has been an alternative to social media – social media being performative and manicured, and Reddit being the opposite – Reddit communities and conversations will be an alternative to AI search answers.

And furthermore, people want what Reddit has. When they search, they search for Reddit by name. In the last 90 days, the word “Reddit”, was the sixth most searched word on Google between “news” and “Trump”, which incidentally also says something about our position in the media landscape. The Google algorithm serves users what they want and what they ask for. Of course we have had a long and symbiotic relationship with Google.

So in summary, expect some bumps and expect us to continue to improve the product and lay the foundation for more consistency in the back half of the year and beyond. Our opportunity remains huge, communities are universal, our knowledge base is unparalleled.

Operator: Your next question comes from the line of Andrew Boone of JMP Securities.

Andrew Boone: Jen, I wanted to ask about pricing, just given the fact that this is the first time this has really come through as a part of revenue growth. Can you speak to the drivers of that? Then stepping back, how do you think about pricing and maybe ROAS at large compared to other platforms? Or is that not the right way to think about pricing as a formula of advertising at large?

Then, Steve, in terms of Answers, it's great to see that Answers is now being tested in terms of the default search. Can you talk about that evolution and how you view Answers over time? And additionally, how were people actually asking questions on Reddit today? And how do you view that evolving in the future?

Jennifer Wong: Sure. I can take the first one on pricing. So look, we don't -- pricing is an outcome of the supply and demand in the market. But the work that we're doing to drive more outcomes, clicks, conversions, app installs, makes each impression more valuable.

We've been consistently delivering more outcomes to our advertisers and more advertisers are using those objectives to get those outcomes. So when advertisers can find the outcomes they want at the prices they want, they can continue to spend.

I'd say we're seeing a combination of -- pricing has been an output of more demand in the marketplace and more value from each impression from those increase in outcomes that we're delivering. And I think we've consistently continued to deliver that, and we'll continue -- I think there's more in our roadmap to delivering more value to advertisers. Where we are compared to peers is sometimes hard to see. There's not -- we hear this from our advertisers that we are competitive.

Reddit Inc.

Q1'25 Earnings Call

We're delivering -- able to deliver market competitive outcomes for a lot of our advertisers, either on a CPA, cost per acquisition basis, on a cost per click basis, or on a return on ad spend basis.

So I do think we've made progress there and are market competitive in a wide variety -- for a wide variety of customers. I think there's a balance between that and also scale.

So what they -- what happens is when they're able to see those outcomes, some of that comes back -- comes back in kind of their pocket of return and some of that comes back in share to us.

So like I said, we don't optimize for pricing. It's an output of the marketplace, but we're very encouraged by the movement in pricing. I do think the other thing I'll note that's important is that in the marketplace, we wanted to be consistent in delivering outcomes and outcomes in a certain price for our customers. So pricing growth is fine within a certain level, but we want it to be consistent, let's say.

Steven Huffman: Okay.

On Answers. So okay for context, Answers we built relatively quickly, and we put it in the app. So today Answers lives in the nav bar of the app, as its kind of own separate experience. Now it's up to 1 million weekly users, which is great.

But we want to integrate it with Reddit Search, and we want to integrate search more deeply into Reddit.

So -- so what does that mean? Integrating into Reddit Search means we want one search box. So that will be the primary search box. When you type your query in there, you'll get potentially your 'Answers' answer or more of a traditional Reddit response depending on what you're searching for.

Then integrating that more deeply in the Reddit means, I think, there will be at least three, that I can think of, entry points for search. The first is the one we have right the search box.

But the two other ones I think are really interesting. One would be at the beginning of the user journey. So you're a new user opening Reddit for the first time. I think using Answers to see what's in Reddit and learn that Reddit almost certainly has what you're looking for.

Then the other is for users coming from external search, helping them get more, like, summarized or easy to parse versions of the answer on Reddit.

So I think there's lots of opportunities here. And how the questions are evolving is itself a really good question. I think it is unlocking a new type of query on the internet, and that is a question with a subjective answer.

Reddit Inc.

Q1'25 Earnings Call

So it's really good. I just -- things that I've done in the last month, I've asked it to give me a reading guide for an author I'm interested in.

And so it just gives a very practical guide there and then also recommends a few related subreddits. I've asked it for an intro to a new hobby, and that basically prints out a new starter guide.

I think what's cool about Answers is everything it says, every bullet is a verbatim comment from Reddit, so you can click or tap any of those and get into the Reddit conversation about that thing.

So, lots to come. Everything I've described, we're working on right now. So we hope to have that in the app this year.

Of course there will be, I'm sure, plenty of iteration, but I think really interesting things we're seeing so far.

Operator: Your next question comes from the line of Benjamin Black, Deutsche Bank.

Benjamin Black: Steve, you spoke about making Reddit easier to use and touched on making it sort of easier to contribute. I'd be curious to hear how contribution rates have actually trended as you've grown your user base.

In the past, how improving contribution rates actually impacted the business? Does it have an impact on time spent, DAU to WAU improvement? Any color there would be helpful.

Then one on the data licensing side of the business. You're now entering your second year of your larger LLM sort of deals. Investors are starting to think about the renewal process. Can you maybe talk about your and also your partners' appetite to renew? And how should we be generally thinking about the sustainability of the current data licensing revenue?

Steven Huffman: Okay. Question one, contribution rates.

So it's a little bit of a complex system here that part of it that we have been focused on and moving is what we call contribution success. So that is whether you're a new or core user, the posts that you submit it's surviving, right?

So it's not being removed by a mod, because I think this is one of the most important education moments for new users.

Reddit Inc.

Q1'25 Earnings Call

So when we talk about post success or post guidance, I can give you a scenario. You're new to Reddit. You've been trained on social media. You're on a community for the first time. You asked a question in a subreddit that, for some reason, is in violation of its rules, but you don't even know there's rules.

So you submit that post and then it ends up getting removed – really bad user experience. User didn't do anything wrong, they're just new. So that's work for the mod, bad experience for the new user.

So what we're doing now is we catch that post at submit time. So the user hits submit and then gets a little pop up that says, "Hi, you're on a subreddit, this is a community. There's rules. In particular, there's this rule, and this post doesn't work, and you can fix it." It turns a bad user experience into an educational moment. So that sort of thing has been really meaningful.

I don't have to number off the top of my head, but moving post success rate, we've been successful in that, and that just makes the whole ecosystem healthier.

So we're going to keep pulling this thread because it also reduces the burden on moderators, and it just makes moderation more fun.

Okay data licensing. I think too early to talk about renewals. But as far as I've heard they love Reddit data. I can tell you -- I mean, I see a lot, right? When I use their respective platforms, I see our little Snoo mascot all over the place. So I think I'd say mission accomplished there.

And look, I think our early premise was correct, which is any search company, any AI company, needs an ongoing supply of new information, especially new relevant information.

So our strategy is still the same, which is let's do everything. Let's be open and open for business. Let's build our own products on top of our own corpus and do our best to make sure the Reddit information is accessible in as many verticals as possible.

So thanks for the questions.

Operator: Your next question comes from the line of Tom Champion of Piper Sandler.

Thomas Champion: Steve, I'm wondering if you could share some thoughts about how Google and the index treats machine-translated content. Is this highly ranked in the index as unique, kind of UGC? Or is it perceived to be AI generated, which could be ranked lower. Just any comments would be helpful.

Then, Drew, a question for you on cost growth. Obviously, really strong results since the IPO and the 19% cost growth is impressive in the context of 60% top line growth. So I guess the

Reddit Inc.

Q1'25 Earnings Call

question is, why not invest more? Is there anything you could invest in or be doing on the hiring side or performance side, in light of that extremely strong top line growth, why is the 70% incremental EBITDA margin optimal?

Steven Huffman: What great questions. All right. Let's start with Google. Machine translation. Good question.

We had the same question ourselves when we started on this. So we just- I think did the sensible thing and asked Google, "hey" – because we're basically the first person to do this at scale – "is this cool?" They said, "yes," they've actually been helping us with it. We use Gemini for the translation.

So I think it's just -- it's a really nice. I think this is a great example of the symbiotic relationship. We can put more UGC in the index now in more languages – and use that as a channel for new users around the world. So it's totally sanctioned, and it's been working great.

Then Drew, why can't we invest more?

Andrew Vollero: Well we can, Steve.

We certainly have the money to do that. I think overall, Tom, thanks for the question. The North Star here is revenue growth twice as fast as costs.

So that's how we think about it. You're right that over the last few quarters, we certainly have done better than that.

We didn't take 70% and draw it up on the dartboard and say this is what we want. That's just where we are currently. -- we're having a lot of success with the investments, which I think is probably the reason why you're having the question that you're asking.

So we're really investing in hiring and we're investing in technology, right?

So a lot of investments in the P&L and machine learning, in search and Answers, machine translation across the globe, like all those are investments, they're paying really solid dividends. It's helping accelerate our growth rate. I think those are the ideas that we're thinking about.

I think some of the new ideas that are potentially on the plate we're starting to discuss is really marketing, how do you build community both inside the U.S. and outside the U.S.; potentially user acquisition. Those are things that are -- things that we're going back and forth on.

I think we're disciplined and we realize great companies are profitable companies.

Reddit Inc.

Q1'25 Earnings Call

We want to do that.

But I think revenue twice as fast as cost is how we think about the business going forward. We have been doing better than that.

If we do come up with the ideas that we think will make sense for our users and for our shareholders, we're more than happy to invest it. We certainly have the cash as well to do it. We have over \$1.9 billion in cash.

So -- but right now most of the investments that we're looking at are generally a lot cheaper than that. They're in the \$10 million to \$20 million range. So we're making a lot of them.

The good news is the revenue has been growing extremely fast here.

So we've been able to afford those. We've reached that sweet spot that I talked about in my script, where we've been able to accelerate revenues and have strong incremental margins.

But I think as you think about our business in the long term, I think revenue growth twice as fast as cost growth is kind of what we're managing to, and we'll see as the ideas come across what we want to invest in.

Steven Huffman: I'll just add 10 seconds on to that, which is sometimes I like to tease Drew, but I think the discipline around cost growth has probably been our single most important management lever over the last few years.

I think we've gotten good at being able to build what we want to build in a, I think sustainable way. So it's something we put a lot of effort into, but it's something we're, I think, proud of.

Operator: Your next question comes from the line of Ken Gawrelski of Wells Fargo.

Kenneth Gawrelski: I want to go back to the DAU point you made about being up in high teens in April and the volatility. Could you just give us a -- please -- a bit more color on both U.S. versus international and kind of logged out versus logged in.

Can you just give us a bit more color to understand the trend in April? And was there any disruption that you saw kind of in the March time period that may have impacted the 1Q reported DAU number?

Steven Huffman: So look, we're focused on the product and building longer term. Search traffic is mostly logged out, but it's some logged in, too; it's more U.S. than not, simply because that's where we've had the content base. That's the biggest content base and where it's had it the longest.

Reddit Inc.

Q1'25 Earnings Call

So look, we'll see where it goes. As I said, we expect some bumps. Some bumps are normal. It's probably more bumpy than typical because of the evolution. So we'll share more with you next quarter.

Operator: Your next question comes from the line of John Colantuoni of Jefferies.

John Colantuoni: First, when thinking about all the various drivers of your advertising revenue over the medium term, whether it be improved targeting, new ad formats, et cetera, can you give us your perspective on how you're thinking about the relative contributions to growth from all those various initiatives in the next 12 to 24 months? You've obviously got a lot going on. So I think that perspective would be helpful.

And second, on dynamic product ads specifically, talk about your progress in marrying predictive analytics and conversion insights along with building other necessary capabilities to begin scaling that product more meaningfully this year.

Jennifer Wong: I can take that. It's hard to break down each piece. We obviously are investing across a lot of areas. The growth drivers that we're seeing now I think have more opportunity and roadmap in them.

So in the go-to-market, the Scaled channel for mid-market and SMB just has so many more advertisers that can be on Reddit that aren't on Reddit today.

So that is -- there's just thousands of advertisers globally across every vertical in that segment that can be on Reddit. So that has been our highest growth channel and I think has a lot of runway and opportunity. The second is the performance objective for us.

So actually, specifically, the conversions installs and, soon, adding DPA or dynamic product ads, to it has been our highest growing objective. That's a young objective. That's something we've been working on over the last, let's call it, 18 to 24 months. We're still early in that journey.

I think that has a lot of roadmap to continue delivering more value for advertisers at higher scale.

I'll talk about -- and then the final one I'll just say is I think we're very early in our international journey, just given that more than half of our audience is outside of the U.S., but it's only 20% of our business today and our -- there's a lot of opportunity there.

So those are the three things I would point to. From a DPA perspective, it's in beta testing. It is early. It is a complicated product.

Reddit Inc.

Q1'25 Earnings Call

It is end to end, just everything from the format, the product ingestion and it gets its own ML models, it benefits greatly from conversion API, takes it from the measurement and the real-time data and signals. So there's a lot of work that goes into it. So we're very, very early.

But I'd say we've updated our ML model for DPA. And as I mentioned, we saw a 90% ROAS gain, we're very early in our journey.

So I think we feel very encouraged by the testing that we're seeing from the advertisers who are the early adopters here.

Look, we'll want to add capabilities to have even more products ingested into the catalog, and we'll want to continue doing even more work on ML and our models will get better as we lay down more signal and get more signal from more adopters of conversion API.

So I think we feel very encouraged by the results, but we're very early in the process.

Operator: Your next question comes from the line of Eric Sheridan of Goldman Sachs.

Eric Sheridan: Maybe two, if I could. Steve, maybe a bigger picture question. I think a lot of what you've talked about today is sort of the roadmap for the future of Reddit. Where do you see the biggest sort of opportunity set to put more structure on the activity levels and the content being created on Reddit that could create either improvements in the user conversion dynamic or the user funnel, also open up the biggest monetization opportunities over the next couple of years?

And Jen, when you think about the evolution of marrying engagements with ads. Any update on richer media formats and how you continue to make progress on elements of video and other elements that could amplify both the engagement side and the monetization side back to the conversations you have with the advertising community?

Steven Huffman: Thanks, Eric. Let me just get the first question. I think, I think this points to the kind of framing we've been using in the last two quarters about scrollers and seekers.

Scrollers being the users who come to Reddit for the core product that we know and love, community, conversation, right, that's more of engaging in the topics you care about, the things you're going through or the things you're into. It's really that community conversation product versus the seekers where up until very recently, we haven't built a product for them. These are the people either coming to Reddit or ending up on Reddit with a question that they didn't have an answer for.

And so like very specifically, if you come to Reddit from Google, you land on a comment page or what we sometimes call post details page. That page was built for the scrollers, right?

Reddit Inc.

Q1'25 Earnings Call

It's built for consuming conversations for seeing that back and forth, not actually designed to give you an answer or a summary or anything like that.

And so -- but those users are not coming to Reddit for a community in that moment, they're coming for an answer.

So I think we can, I think, embrace the use case that the user is bringing us and be more effective at solving it. I think that will make users happier.

That, of course, should improve engagement, retention, and all of those things.

So I think this is -- let's call it product 101, give the user what they want. Okay.

Then Jen, the question is about richer media formats.

Jennifer Wong: Yes. I'll take that.

So Reddit has some of the deepest engagement of any platform, and that's video aside, just because of the nature of the platform and the mindset people come to the platform.

Our ad platform really consistently delivers strong results in terms of resonance and in outcomes. That's with, call it, 40-ish percent being in a video format and the rest being maybe a visual or text driven.

So I think Reddit in delivering outcomes is kind of media agnostic. This is both on the consumer side and on the ad side.

We are working on making it easier to port existing video assets into the ad stack where we might automatically recrop, et cetera, and are doing work in integrating Memorable AI, a company we bought that has expertise in identifying what are the best sort of creative variants.

So we are doing work there in our platform, which I'm really excited about, that again, just makes creative easier, more portable, and also more optimized.

But video per se is just not a focus for us. It is something that works really well in our platform, it's what you want to use, but you can use many different media types on our platform and have success.

Operator: Your next question comes from the line of Richard Greenfield of LightShed.

Reddit Inc.

Q1'25 Earnings Call

Richard Greenfield: Steve, I read your comments in the letter about making the best version of Reddit by being faster, easier, and better to use. I'd love sort of your view, like on a scale of one to 10, with 10 being the best, where are you on that journey today?

And how should we think about the improvements coming over the coming year?

And how does this tie into making Reddit your starting point for where you begin online versus a destination that you get to via a Google, Open AI, et cetera?

Steven Huffman: It's hard to quantify my answer on that scale, look, we're in the middle, and we're always going to be in the middle.

We're better than we've been. When I use Reddit, all I see are ways for Reddit to be better.

I think that's the fun part of the job - is continuing to iterate on this product. I don't think of it as an either/or between us and other products. We have different products that fulfill different needs, right?

There's search and AI. I think it's like an extension of search for the direct answers or kind of summarized answers, and there's Reddit for community, belonging, conversation. And even within our Answers product, it's for getting the broad perspective of Reddit intentionally.

So I think maybe there's some overlap in the middle, but we're really different products that serve different needs.

I expect us to continue, all of the companies you've named, to continue to evolve and coexist. And I expect Google to continue to be a great channel for us, and I expect us to continue to grow doing our own thing as well.

Operator: Your next question comes from the line of Jason Helfstein of Oppenheimer.

Steven Hromin: This is Steve Hromin, on for Jason.

So just two questions from us.

One, if you could give any commentary on the continued strength within U.S. logged in users. Are you driving better conversion or retention, either within desktop or app.

Then second, any update on the Meta campaign import tool that was announced and launched maybe a month ago? Is that helping to reduce advertisers time to launch a campaign and/or driving solid ad performance?

Reddit Inc.

Q1'25 Earnings Call

Steven Huffman: Yes. Look, I think the story of logged in user conversion and retention in our apps over the last couple of years is a success story. We've done a lot of work there to just make it easier to register, to sign up, to get onboarded, to find your community.

So I think that's a never-ending work. It's probably the single most important number for us is new user retention. So we've been able to move it and we'll continue to do so. This work broadly -- or not broadly is it's the -- it's kind of the in-the-trenches product work.

So when I say make Reddit easier and better, I think every detail here matters, but we've been moving that for a couple of years. And look, retention compounds into growth. So that's how we think about it. Jen, on the Meta thing?

Jennifer Wong: Yes. So some platforms have a marketing API for advertisers to advertise their campaigns. Obviously the advertisers' assets and campaign data are owned by the advertiser.

So we did an integration. As part of our strategy, we're making it easier for advertisers to get started on Reddit and there's a lot of features that we work on to take the friction out of onboarding and make it easy to activate.

And so this is one of them that we worked on. We've seen some adoption of this feature.

But it's one of many in an effort to just make it easier for advertisers to onboard. Obviously we've been very pleased with the overall growth in our number of advertisers.

Operator: Your next question comes from the line of Alan Gould of Loop Capital.

Alan Gould: I've got two. One is, can you comment on what's happening with per user engagement?

Then second, Steve, one of the things special about Reddit is that you have the moderators - given the growth in users that you've had, assuming strong user engagement, I know you're using technology, but how do you manage that growth for all the mods -- how do you manage that growth? Are you adding that many more moderators?

How do you keep the moderation going so well?

Steven Huffman: Okay. Great questions. Per user engagement, look, of course this depends on the channel.

But this -- I'll reference all the answers I've given today about making the product easier to use, more relevant.

Reddit Inc.

Q1'25 Earnings Call

I'd say one of the big improvements we've made over the last year and we'll continue to iterate on that I haven't mentioned today is the quality of our home feeds. Your home feed in Reddit is made up of the subreddits that you subscribe to.

But serving you the right subreddit at the right time of day with the right type of content – getting that right is really important.

So that's been one of the biggest drivers of retention over the last couple of years, and that's an area we'll continue to iterate on.

And there's some stuff we're doing later this year that I'm very excited about that I think will make Reddit just kind of more accessible and easier to figure out in that first session.

Of course that's a little bit upstream from engagement, but that's how we think about it. It's just get people on Reddit, get them into their home and the rest follows.

Moderators, look, great question. There's kind of two things we're doing at once right now. One is reducing moderator burden. So AI tools help with this a lot.

So whether it's post guidance or our improved safety work, we can just try to require the mods to do less clicking and less repetitive work so that they can focus on doing the things they love, which is being stewards of communities.

And at the same time we have an initiative to grow the number of mods, right?

We just want to see more mods. More mods means more communities, more diversity of communities.

It's a big part of our strategy for international growth, is starting with that foundation of new moderators.

So it's a big part of our work literally in countries finding engaged end users and saying, Hi, do you want to actually run a community, and teaching them how to do that.

So it's kind of a whole program around that.

So it's actually -- I think it's a unique aspect of work is all of this infrastructure we have around finding, recruiting, training, building products for mods, so thanks for the question.

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

Reddit Inc.

Q1'25 Earnings Call

Daniel Salmon: Jen, I believe you mentioned during your prepared remarks that the conversation ad placements are now up to accounting for 6% of impressions. Could you just tell us a little bit more about the performance of the format, how it's helping inform your search strategy and potentially broader monetization strategy later?

Jennifer Wong: Sure. Yes. The -- so I think you're referring to ads in comments.

So on the conversation page, we have had an ad below the post and above the comments, but we tested and launched an ad inside the comments, which of course is a high engagement space for people coming to Reddit because when you're trying to get answers to your questions, you're reading through the conversation there.

So highly contextual -- and as a reminder, about 40% of the conversations on Reddit are actually commercial in nature. They're about products and services.

So there's a lot of engagement where people are in a purchase decision journey. We've been really pleased with the adoption of that ad. I think almost no platform has ads in their comments.

It's not been typically a high engagement space for other platforms, but it is uniquely high engagement for Reddit.

We've been pleased with the performance that we're seeing. Again that space is highly contextual.

It is high engagement because that's usually where you're finding the answers to your questions. People who come into that space come two ways. They either come one click past search on a very specific query, where they're reading the comments for an answer or they've clicked into that space from a post that interested them in the feed.

So the intent in that space is incredibly high, and we see a lot of opportunity to drive outcomes and performance from that ad unit.

Jesse Rose: Thanks, Jen. Kelvin, I think we're out of time here.

So we'll wrap up. Thanks, everyone, for joining.

We really appreciate it. Looking forward to speaking with you again soon.

Operator: This concludes Reddit's Q1 2025 earnings call. You may now disconnect.