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# Reddit, Inc.

Second Quarter 2025 Earnings

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### CORPORATE SPEAKERS:

**Jesse Rose**

*Reddit, Inc.; Head of Investor Relations*

**Steven Huffman**

*Reddit, Inc.; Co-Founder, Chief Executive Officer*

**Jennifer Wong**

*Reddit, Inc.; Chief Operating Officer*

**Andrew Vollero**

*Reddit, Inc.; Chief Financial Officer*

### PARTICIPANTS:

**Brian Nowak**

*Morgan Stanley; Analyst*

**Ronald Josey**

*Citi; Analyst*

**Benjamin Black**

*Deutsche Bank; Analyst*

**Thomas Champion**

*Piper Sandler; Analyst*

**Mark Shmulik**

*Bernstein Research; Analyst*

**Margaret Hoffman**

*JPMorgan; Analyst*

**Richard Greenfield**

*LightShed Partners; Analyst*

**Jason Helfstein**

*Oppenheimer; Analyst*

**Andrew Boone**

*Citizens; Analyst*

**Bradley Erickson**

*RBC Capital Markets; Analyst*

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### PRESENTATION:

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**Operator:** Good afternoon. At this time I would like to welcome everyone to Reddit's Second Quarter 2025 Earnings Call.

I would now like to turn the call over to Jesse Rose, Head of Investor Relations.

Jesse, you may begin your conference.

**Jesse Rose:** Hi, everyone. Welcome to Reddit's Second Quarter 2025 Earnings Call.

Joining me are Steve Huffman, Reddit's Co-Founder and CEO; Jen Wong, Reddit's COO; and Drew Vollero, Reddit's CFO.

I'd like to remind you that our remarks today will include forward-looking statements, and actual results may vary. Information concerning risks and other factors that could cause these results to vary is included in our SEC filings. These forward-looking statements represent our outlook only as of the date of this call, and we undertake no obligation to update any forward-looking statements.

During this call we will discuss both GAAP and non-GAAP financials. Reconciliation of GAAP to non-GAAP financials can be found in our letter to shareholders. Our second quarter letter to shareholders and earnings press release are available on our Investor Relations website and Investor Relations subreddit.

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

**Steven Huffman:** Thanks, Jesse. Hi, everyone. And thank you for joining our Q2 earnings call.

It's been another strong quarter for Reddit with particularly strong performance on the revenue and profitability lines, and I'm proud of how the company is executing as we move into the second half of 2025.

A personal highlight for me was meeting with advertisers in Cannes earlier this summer. The trip was a good barometer for how brands view Reddit today: they want to work with us, they understand our distinct role on the internet, and they recognize we deliver real value to their businesses. During a demo of Reddit Insights, our new AI-powered brand insights product, a client remarked, "This will be our Super Bowl ad next year."

Okay, on to the numbers. Revenue grew 78% year-over-year to \$500 million, our fastest quarterly growth rate since 2022. Daily active users grew to 110 million, up 21%

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year-over-year with growth in both the U.S. and international markets. This was driven mainly by product improvements and increased marketing activity. And this was our most profitable quarter yet.

These results are a testament to our work, our users, and the power of its communities.

We'll get to Q2 shortly, but what excites me most is what's ahead. The world and the internet are rapidly changing, and I believe Reddit has a once-in-a-generation opportunity.

For people, conversation and connection are becoming more valuable and rare. In a world increasingly dominated by algorithms and automation, the need for human voices has never been greater. We see this every day as nearly 50 million scrollers come to Reddit for their favorite communities, and 60 million seekers land on Reddit in search of better answers to their questions. In fact, 80% of users in a recent survey said that they believe some questions can only be answered by humans, as opposed to AI-generated summaries.

For LLMs and AI search engines, these conversations and the knowledge they create are essential for training. Platforms like Reddit, where people discuss every aspect of life –from the trivial to the transformative– are the backbone of building AI that actually works. That's why Reddit is the #1 most cited domain for AI across all models, per data collected by Profound. In an automated world that depends on human knowledge, we view Reddit as one of the most important and differentiated data sources.

We believe this validates what we've always thought, human conversation is not being replaced by AI. Instead, it's becoming more important. AI doesn't invent knowledge – it learns from us. From real people, sharing real perspectives. You can't have artificial intelligence without actual intelligence.

And for brands, Reddit's authenticity creates something rare: a direct connection with people when they're seeking trustworthy opinions. As more of the content you see online is synthesized, summarized and sanitized by AI, Reddit stands out for its honesty and subjectivity. For many questions, there isn't a single objective answer. People want multiple viewpoints and lived experiences. This is why Reddit is synonymous with product and service recommendations. People turn to Reddit when they want to make informed decisions fast.

We see tremendous potential to grow our user base and deepen engagement, and we're moving quickly to align priorities and resources to capture that opportunity. As a first step, we clarified our product strategy and are investing in making Reddit a better experience for

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everyone who comes to the platform-- whether they're scrolling their favorite subreddit, seeking input on a purchase, or discovering a new community for the first time.

To focus on the areas that matter most, we are deprioritizing a few initiatives, including our work on the user economy. It's still an opportunity we believe in, but we're concentrating our resources on the areas that will drive results for our most pressing needs: improving the core product, making Reddit a go-to search engine, and expanding internationally. Here's what we're working on right now.

Let's start with the core product. First impressions matter, and we want to make your first moments on Reddit sticky and worth coming back for. We're zeroing in on a few key areas, making onboarding even more intuitive and search forward, lowering barriers to log in and contribute, and using AI to help people find their home, whether that's through real-time personalization or smarter community discovery. We're also moving fast on human verification to preserve Reddit's authenticity, something our users have repeatedly asked for and we're eager to deliver on.

Second is search. Reddit is one of the few platforms positioned to become a true search destination. We offer something special, a breadth of conversations and knowledge you can't find anywhere else. Every week, hundreds of millions of people come to Reddit looking for advice and returning more of that intent into active users of Reddit's native search.

We're seeing good traction here as our core search product now has 70 million weekly users and Reddit Answers has grown to 6 million, up from 1 million last quarter. Next, we're expanding Reddit Answers globally, integrating it more deeply into the core search experience, and making search a central feature across Reddit. We're pairing these product updates with marketing initiatives to increase awareness and adoption of Reddit Answers worldwide.

And finally, international expansion. Machine translation is now live in 23 languages, unlocking Reddit for millions of people across Asia, Europe, and Latin America. This is just the start of a growth flywheel. Translation and marketing bring people in, localized content and app experience deep in relevancy, and scaled moderator recruitment creates stronger ecosystems. Our goal is for Reddit to be self-sustaining in these countries and the early results are promising.

Recently, we celebrated Reddit's 20th year, and I've never been more excited about our business and the potential than I am today. The internet is evolving, and our role as a

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community-powered platform for human connection is only becoming more critical. This next chapter is ours to write, and we're finishing the first pages already.

As I said before, we control our own destiny, and we're focused on building Reddit into the most human trusted place on the internet.

Thank you to our team, the moderators, and users for making Reddit what it is today.

With that, I'll hand it over to Jen to take you through the consumer and ask product strategy in more detail. Jen?

**Jennifer Wong:** Thanks, Steve. Good afternoon, everyone. The second quarter demonstrated continued growth and strong execution with total revenue reaching \$500 million, up 78% year-over-year.

Our unique proposition and ad platform improvements continue to deliver differentiated growth and positive outcomes for advertisers.

Before discussing the ads business, I'll share some thoughts on the consumer product strategy and initiatives. You heard Steve discuss our three consumer product priorities: core product, search, and internationalization.

I'm incredibly excited by the opportunity ahead for us to deliver fresh, helpful and interesting conversations to a broader audience and build a best-in-class search product that brings real perspectives from real people.

Steve and I are working closely to refine the product roadmap and aligning our investments to deliver more substantive improvements that we believe can drive consistent user growth and engagement.

In addition, we're complementing our product investments with paid marketing strategy.

We're testing a full-funnel consumer marketing approach designed to grow user awareness and consideration, increase engagement, and find new users by educating a wider audience on Reddit's use cases and value proposition.

We're encouraged by the brand campaign in France that's boosting awareness of Reddit and its local communities, and bringing in new users to a more robust French immersive global and local experience.

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These initiatives are early, but we're moving quickly and we'll have more to share in the coming quarters.

Now moving to monetization. The advertising business grew 84% year-over-year in Q2, reaching \$465 million. The growth was driven by broad-based strength across the business, with the majority of our growth coming from existing advertisers who are deepening their investments and retaining their share of spend with us.

We also continue to acquire new customers.

Total active advertiser count expanded by over 50% year-over-year in Q2, spanning large, mid-market and small and medium-sized businesses.

Moving to our ad stack. Our strategy is focused on making all businesses successful on Reddit, by, one, driving performance across objectives; two, improving usability for advertisers and productivity for our salesforce; and three, offering our advertisers Reddit-unique solutions and ad formats.

We made meaningful progress against each of these areas in Q2.

First, ongoing investments in our ad models and formats are driving performance improvements, including higher click and conversion volume and incremental return on ad spend.

Our shopping solution, Dynamic Product Ads or DPA, is now generally available after a successful beta that delivered strong performance across verticals. Reddit advertisers are integrating DPA into their full funnel strategies as an always-on lever and consistently achieving a Return On Ad spend that is, on average, 2x higher than standard conversion campaigns.

Growing adoption of our measurement tools including our Conversion API, is strengthening our lower funnel strategy, with CAPI-covered conversion revenue tripling year-over-year in Q2.

Second, improving usability for our advertisers and productivity for our salesforce.

We're continuing to enable advertisers to activate Reddit campaigns through connections into third-party tools used for multi-channel strategies.

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Our new Smartly integration that launched to all advertisers in Q2 combines Reddit's audience and performance with Smartly's AI-powered advertising platform. This makes it easier for advertisers to launch, scale and optimize Reddit campaigns, including DPA.

Third, building Reddit unique solutions and ad formats.

We're excited to introduce our trademark Reddit Community Intelligence at the Cannes Lion Conference in June. Reddit Community Intelligence is the collective knowledge from the billions of human conversations across Reddit.

It powers our ads and insights products to help marketers drive performance and make more informed business decisions. Two early-stage products demonstrate its value and potential.

Reddit Insights for agencies: an AI-powered listing tool that uncovers strategic value from two decades of Reddit conversations, for example, what people think about a brand, product, service and its position relative to competitors, offering real-time insights for campaign strategy, creative testing and better decision-making.

And Conversation Summary Add-ons: an ad feature that integrates positive Reddit user conversations directly into ads, allowing people to see what communities think about a product or brand.

So far, this new ad format is delivering over 10% higher click-through rates than standard image ads.

And finally, to support businesses with building an organic presence on Reddit, we continue to enhance Reddit Pro with new profile tools. Now, businesses can use AI tools to more easily generate profile bios and cross-post community discussions directly from Reddit Pro to build their presence and connect with Reddit's 100,000+ communities.

When official brands and entities advertise and engage on Reddit, it not only improves the Reddit experience for users, but it also makes advertisers and businesses more successful.

Overall, Q2 was another strong quarter for Reddit.

I'm proud of the progress and the improvements we're delivering for our communities and advertising partners. Reddit has never felt more essential to people and businesses, and we believe there's a lot of opportunity ahead.



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Now I'll turn the call over to Drew.

**Andrew Vollero:** Thank you, Jen. And good afternoon, everyone.

Our strong second quarter results demonstrated the financial model continues to scale very well here at Reddit. The catalyst this quarter was the top line, which grew 78%, the highest growth in over three years, which in turn fueled new highs in Net Income and adjusted EBITDA.

In the quarter, we had strong execution across our five financial strategies and the results speak for themselves. These strategies include: one, differentiated revenue growth.

Revenues reached \$500 million, over \$70 million higher than our previous top selling quarter. Revenues grew 78% in Q2, accelerating 17% sequentially. That's well above peers.

Second, scaling profitably. Adjusted EBITDA hit \$167 million in Q2 and GAAP Net Income reached \$89 million.

We found a sweet spot this quarter with both revenue growth and profitability.

Our combined revenue growth rate and adjusted EBITDA margin hit 111%, a new high for Reddit.

Three, expanding margins. Adjusted EBITDA margin reached 33%, up over 1900 basis points year-over-year, and the net income margin was 18%, up from a loss last year.

On the product side, gross margins expanded 130 basis points to 90.8%, our fourth consecutive quarter of 90% plus.

Fourth, generating positive cash flow Q2 free cash flow ended \$111 million, and our free cash flow margin for the quarter was 22% of revenue. Our free cash flow was \$237 million through the first two quarters.

And fifth, minimizing dilution. This quarter, we made our annual grants to employees, but share increases were still modest, up 575,000 shares to 206.6 million shares and the total dilution is up less than ½ of 1% for year-to-date.

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

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First, Q2 revenue of \$500 million was driven by our advertising revenue, which grew 84% year-over-year to \$465 million as we saw growing traction across objectives, verticals, geographies and channels.

Other revenue, which includes revenue from our data licensing business reached \$35 million, growing 24% year-over-year. Average revenue per user, ARPU, grew 47% year-over-year to \$4.53, which is still low on an absolute basis and remains an opportunity. Regionally, revenue grew 79% and 71% year-over-year in the U.S. and international, respectively. Europe had a strong quarter, anchored by solid growth in England, the Netherlands, and France.

In the quarter, four revenue drivers fueled our growth.

First, performance ads and brand ads had strong quarters, both growing more than 80% year-over-year.

Second, impression growth remains our key driver, but we also saw a nice tailwind from pricing in the quarter, a trend that started in Q1 and accelerated a bit in Q2, as we continue to deliver value and favorable outcomes to advertisers.

Third, we saw strength up and down the funnel with growth ranging from the high double digits to the low triple digits in the upper, mid- and lower funnel segments.

And fourth, we continue to see diversified strength by verticals. We had nine of our top 15 verticals grow revenues by 75% or more.

Moving to costs. Total adjusted costs were \$333 million, up 38% year-over-year. That's faster expense growth than we've seen over the prior year, reflecting two things: first, higher variable cost expenses from accelerating revenues in areas like hosting, sales commission and incentives.

And second, our strategic investments.

Over the past few quarters, we've been investing in two areas: Sales and Search/ML, and this quarter, we made a new investment into a third area, marketing.

Let me expand on each.

First, in the quarter, total head count increased 17% year-over-year, up sequentially about 100 people, with 70% of those hired were focused in consumer-facing areas like sales,

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marketing, and ad tech. Historically, these investments have been a critical catalyst to the revenue acceleration we saw in Q2 and for the past few quarters.

Second, we continue to make investments in cost of revenue, driven by new ML features for our consumer and ad platforms, scaling search, and better optimizing site speed and performance.

And third, during the second quarter, we began testing Reddit marketing spends to drive a series of desired global outcomes.

Spends were both strategic and tactical, looking to drive both top-of-funnel brand awareness and lower funnel performance outcomes.

Investments were made both in the U.S. and International markets. Total investment costs this quarter were a few percentage points of Q2 revenues.

We plan to continue these investments for the second half of the year.

We will modulate our spend levels by market depending on traction, user retention levels, and investment returns.

Reddit's strong business model gives us an opportunity to both invest in new areas like marketing and grow very profitably. Reddit's incremental Adjusted EBITDA margins were 58% in the quarter, remaining well above our 50% long-term target.

A couple of quick call outs for the rest of the numbers.

In Q2, our CapEx was \$500,000, year-to-date is less than \$2 million, so operating and free cash flow remain in lockstep here.

Cash and investments crossed \$2 billion for the first time which is great to see. We ended at \$2.06 billion, up \$109 million sequentially. That's a healthy gain.

The expense for stock-based compensation and related taxes was down sequentially from \$107 million to \$95 million, less than 20% of revenue. Year-to-date SBC is 23% of revenue, well in line with peers.

We continue to view SBC as a cost and were pleased to see some leverage in Q2. Net income was \$89 million or \$0.48 per basic share and \$0.45 per diluted share. Last year was a loss per share.

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As we look ahead, we'll share our internal thoughts on revenue and adjusted EBITDA for the third quarter, which is where we have the greatest visibility.

In the third quarter 2025, we estimate revenue in the range of \$535 million to \$545 million, representing 54% to 56% year-over-year revenue growth, with a midpoint of about 55%. Adjusted EBITDA in the range of \$185 million to \$195 million, representing approximately 100% to 110% year-over-year growth and an Adjusted EBITDA margin of 35% at the midpoint.

So in summary, it's great to see Reddit's highly differentiated business model shine again.

We saw terrific leverage and cash flow generation in the first half of the year, thanks to differentiated revenue growth, solid gross margins and low CapEx. After a strong Q1 and Q2, we now turn our attention to the seasonally important back half of the year.

That concludes my comments.

So let me turn the call back over to Steve.

### QUESTION & ANSWER:

**Steven Huffman:** Thanks, Drew. Thanks, Jen.

As usual, we're going to start with a few questions from the Reddit community asked on r/RDDT and I'll do those now.

First question. What is one memorable discussion you had at the Cannes Lions festival?

There were a couple.

We demoed our new Community Insights product. I mentioned one in the script, where an advertiser got an idea on the spot for a potential Super Bowl ad next year, which was really cool. And then we had another customer realizing they had an entire customer segment that they were previously unaware of, showing a huge opportunity there.

I was at dinner, I sat next to an ad agency exec and he was just raving about the quality of our team, how much he loved working with our folks, which is just really nice to hear. A lot of our people come from other agencies and many of our competitors. And so it's nice to see what a great reputation they're bringing our company.

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And then finally, I also got to chat with Rick Astley, the author of “Never Gonna Give You Up” song from back in the '80s, popularized by Reddit as the Rick Roll, one of the first memes on Reddit, and it was just really interesting hearing how grateful he was for the second act of his career, being a part of that.

Second question, you mentioned that you want to deprioritize the user economy in favor of some more pressing projects. What projects are these? And are they focused more on user engagement, getting new users or increasing ARPU?

It's basically the first two. Improving user engagement through core app improvements, onboarding, relevance. I think that's just the most pressing need right now. Diversifying the top of funnel sources of traffic for Reddit and making sure that the product supports new users with more relevant content in every geo. Right now they more or less see kind of the same feed. And so I think there's a lot to gain by making a more relevant intuitive first-time user experience.

Third question, have you ever played Flappy Goose?

So the context here is Flappy Goose, is a user-created game on our developer platform.

It's one of the more popular games. I have played it. It's too hard.

I can only survive a second because there's a cult-following that has emerged around this game to make the hardest levels possible, which itself is —might be a metaphor for all of Reddit. And so consider this a feature request for easier levels for us beginners.

But what makes me excited about this is seeing that sort of kind of really deep engagement on something like this. I think it's one of the early signs of success that we've been looking forward to: users going really, really deep on something that they created that we would have never created. So really excited to see that.

Okay. Now I'll turn it over to the professionals for their questions.

**Jesse Rose:** Great. Thanks, Steve. Krista, let's please open the line and take some questions from folks on the line.

**Operator:** (Operator Instructions) Your first question comes from the line of Brian Nowak with Morgan Stanley.

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**Brian Nowak:** Great, thanks for taking my questions. Maybe two. The first one, Steve, is on U.S. user trends.

It seems like things may have gotten better throughout the second quarter. Maybe talk to us about what you are seeing in the U.S. user trends throughout 2Q and then sort of importantly, into 3Q, what is sort of going on in the U.S. user base and what's driven the improvement?

Then the second question is, Jen, the ad business is doing incredible. Talk to us about sort of some of the innovations you're most excited about in the back half, to sort of continue to deliver more ROAS, and scaling up of ad buys across your advertiser base?

**Steven Huffman:** Thanks, Brian.

Okay.

So in Q2, as we mentioned on the last call, we got off to a slower start in April.

We saw a better traction as the quarter played out. And a combination of intentional work on the product side and marketing and user acquisition all benefited. Traffic from Google varies from week to week. But overall, it was a headwind in Q2.

But looking into Q3, our Q2 exit number was higher than the Q2 average of 110 million. And in July, we added DAUs in both the U.S. and internationally. So we'll see how the rest of the quarter plays out.

Our primary focus remains on strategy and the product roadmap. And Jen has started working with me directly on the product, and it's been great across both dimensions. She's bringing interesting ideas on the product roadmap and adding a particular focus on user growth execution. Jen, the second question was for you.

**Jennifer Wong:** Okay. Thanks, Brian.

So there's a lot to be excited about in our roadmap. And some of it is the things we've launched, say, in Q2 that I think will be able to deploy more broadly in go-to-market.

So Dynamic Product Ads, which is basically shopping, I think we're really excited about. We're at the beginning of that roadmap, but the advertisers are seeing really nice return on ad spend.

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So I think there's a lot more adoption there. There's some more work in automation.

We released auto bidding. We talked about some of the results in auto bidding. But just more around automation throughout our platform. We've integrated Memorable AI into our upfront part around creative, really excited about some of the automation work there that will make it easier to onboard advertisers and also can drive performance.

And then finally, again, the things that we mentioned at Cannes, the trademarked Community Intelligence with these two initial products, one, Reddit Insights, and two, Community Add-Ons, it's just early—we've just gotten them out the door. And I think they've been very well received.

So really excited to see more broad-based adoption and impact from them.

**Operator:** Your next question comes from the line of Ron Josey with Citi.

**Ronald Josey:** Great, thanks for taking the call. One for you, Steve, and one for you, Jen.

Steve, I wanted to touch a little bit more on search just given Reddit increasingly becoming an LLM search engine. And I think in the letter, you talked about search becoming more central.

So I wanted to hear more of your thoughts on Answers now that it's rolling out globally and it being potentially more central to be experienced, talk just about the plans to build out answers as sort of the search experience on Reddit.

And then, Jen, maybe higher-level question, but with advertising up 84%, active advertiser count growing 50% plus.

I just would love to hear how your relationships or just the relationships overall with advertisers have evolved over the last year or so. From then until now.

**Steven Huffman:** Thanks, Ron.

So, on your first question about Answers.

So Answers is our kind of LLM search product.

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Our focus right now is on unifying the Reddit search, like traditional search on Reddit, which is very widely used on Reddit and the new Reddit Answers product, which helps -- which answers objective questions across the entire Reddit corpus.

So we're unifying those into a single search experience, and we're going to bring that front and center in the app.

So whether you're a new user opening the app for the first time or a returning user opening the app, that search box will be present immediately for users who open the app looking for something specific.

Like sometimes people are opening the app with a question, we call those seekers.

Sometimes they're opening the app because they want to just consume Reddit, we call them scrollers.

So bringing that seeker experience front and center in the app, and then, of course, letting the users who don't want to run a search in that minute, just kind of scroll past it.

So this is under heavy development for us right now and we hope to get that out before too long in the hands of users.

So excited about that unification. So I think it will capture both use cases of Reddit on that first screen.

And Jen, over to you for that second question about advertising relationships.

**Jennifer Wong:** Sure.

So I think, look, we've been growing our active advertiser base really nicely. And -- but most of our growth still comes from existing advertisers that are well retained and having a great experience. A few things.

Some of our larger customers -- we actually created a global accounts team because they want to work with us on a larger global scale basis. And so -- we didn't move to service them in a very global way because you're seeing what reach they can get in many -- across many, many countries.

So we've actually changed, I think how we service some of these top accounts, which I think is really exciting. That's a normal evolution as you get deeper and bigger relationships.



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The next is there are -- we're seeing a lot of demand in market, and some advertisers, they want us to plug into some of the third-party ecosystem pieces that they use that can unleash more demand and take up more friction.

So, for example, like our Smartly partnership, that's an example of us plugging into the advertising ecosystem on behalf of demand from our customers to make it easier for them to access Reddit ads and launch campaigns.

And then the third, I'll say is I'm really pleased to see that many more advertisers are just working with us across the funnel across multiple objectives.

I think that's really exciting to see. That's how you get the best of Reddit.

So they're really becoming much more diversified in the way that they work with us.

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

**Benjamin Black:** Great. Thank you for taking my question.

So Steve, you highlighted being the most cited domain on the internet for LLM models. How is that translating into user trends? And similarly, how is that evolving your thoughts around the data licensing opportunity, just given the fact that your partners appear to be really benefiting from Reddit content? And then just on the marketing strategy, what were the key learnings so far?

And sort of, in terms of the new users you're onboarding, can you talk about the characteristics you're seeing there? Is there any difference in engagement, and retention rate for instance?

**Steven Huffman:** Thanks, Ben.

So I think one of the things that we've learned, particularly through the data licensing deals is -- I mean not just we, but I think both our partners there, and I think just folks on the internet more broadly, is how essential Reddit is to AI or LLMs as we know them and the next generation of search. And so I think a lot has changed over the last couple of years. Every variable has changed since we signed those first deals.

Our corpus is bigger, it's more distinct, more essential.

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But we believe Reddit is in a really good strategic position as a result of this. And of course, on our own products, we're seeing that the corpus is deeper and broader than I think even we realized before we built Reddit Answers. And so what we're seeing is that I think there's a huge opportunity to provide users really kind of broad and varied viewpoints on subjective questions, which I think is an important category of questions that users have on the internet.

So I think a lot of opportunity here.

Going forward, we're still learning -- we're still, I think, getting a sense of how much people really depend on our data and what it's used for.

So we'll see how it continues to develop.

But if the future is anything like the past couple of years, I think a lot of opportunities will be created.

Jen, the second question was key learnings from our marketing efforts.

**Jennifer Wong:** Sure.

I'm happy to take that.

So it's very early.

We're just building this capability and starting to do some initial testing.

But I'll share a couple of thoughts.

I mean one is especially outside of the U.S., I think our awareness and consideration are an opportunity. And so we want to invest in that. That's why you heard a little bit about the investments around sort of awareness and consideration because that foundation that we have in sort of English markets in the U.S. is a little different outside of that territory.

So that's something we want to build, that foundation.

I think we've done the brand campaign in France. And I think it does reveal to us that the product is getting better in terms of the content and this machine-translated immersive experience where you come in the front door. It is better. And we're getting positive feedback from that.

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Still more to be done, but I think it's nice to see the progress there.

And finally, I think we are on this journey of building a Reddit-unique search experience. A lot of people type in Reddit in search.

But the process of using Reddit search will be a new motion coming directly. And so Steve talked about integrating search throughout our products.

So we're doing that work now.

And then we will want to invest behind marketing and reminding people to search on Reddit, creating that new behavior.

So that's something that is also an opportunity for us.

But again, we're so early in our journey here, but it gives you a sense of the kinds of things that we want to put marketing behind.

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

**Thomas Champion:** Hi, good afternoon, guys. Maybe for Steve or Jen. Just any comment on engagement and time spent? Your peer who reported last night appears to be making very nice time spent gains, with greater personalization and leveraging ML models. Just curious what you're seeing on that front.

And then maybe for Drew, to pick up on the marketing comment in another direction.

It looks like a pretty solid step-up in sales and marketing spend quarter-on-quarter from 1Q into 2Q. Just curious if that step-up, I think from roughly \$90 million to \$120 million, is that driven by the outbound traffic related marketing campaigns? Any other factor driving that sequential increase?

**Steven Huffman:** Sure. Thanks, Tom.

So on engagement and time spent, both continue to be solid.

Look, I think -- my answer here is the obvious things and probably aligns with what anybody in this business would say. Relevance equals retention, retention equals growth. And so that's a core focus of ours.

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I think this is what I was referring to in my script and my answer to the community question.

I think as the user -- when a user logs into Reddit and uses Reddit more and more, it becomes more personalized and more relevant and then engagement just deepens quite significantly over time. Even measured in years, users subscribe to more and more subreddits and spend more and more time on Reddit. And so our work is to get more of that.

And so what we're building towards this year is to have product that starts personalizing instantly, removing as many barriers as we can for a new user to start finding their home on Reddit. And so what you'll see is -- today, we have what I would describe as kind of a heavy-handed onboarding approach. You open the app and you get a lot of questions about, like, what are you into? We want to move to something much, much simpler -- a search box.

So if you are inclined, you can tell us exactly what you're into. And maybe you'll get a Reddit Answers guide to Reddit or parts of Reddit that are relevant to you.

But also in that first experience, getting a feed that instantly starts personalizing to you, and a feed that starts off relevant to kind of where you are or potentially if you're coming from a new channel or a known channel or a feed that is specific to the context in which you came to Reddit. And so all of these things we're working on now. And I think we'll have meaningful improvements, because in many cases, a new user comes to Reddit and the feed is not relevant to them. And so I think that that represents a pretty large opportunity for us.

Okay.

Second question, Drew, was the sales and marketing spend and how that's going up.

**Andrew Vollero:** Right. Right. Tom. Yes.

So the cost growth here the last couple of quarters have been growing in the high teens.

To your point, in the second quarter, it grew out in the high 30% range, really the drivers of that acceleration are threefold.

One is, obviously the top line here was a big number.

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We have variable costs in our business. That's the biggest driver, is the variable cost.

The second piece is hiring. We hired over 100 people sequentially in the quarter. That will be a cost driver.

The third piece on the sales and marketing side, which is really the spirit of your question, I quantified that it's a couple of points of revenue. So I think it's fair on a \$500 million base in the quarter to think that, that was kind of a low double-digit million spend in the quarter.

So I think that explains kind of where we've been.

In terms of where we're going, as Jen said, we're really doing a lot of work to try to figure out what the right investment is to do here. And so we're going to take a look up and down the funnel.

We're also going to look by market here.

We gave you a sense on, kind of, where we'll be in the third quarter, which if you kind of do the math from the \$185 million to \$195 million guide, that kind of puts our cost structure again in that high 30% growth range. And so that's how we're thinking about things. We're going to -- depending on what kind of traction we do get on marketing, we could modulate our costs depending on what we want to invest in.

But I think that's a good way to think about this next quarter as -- again, the cost growth will probably be in the high 30% range. That's where we're thinking about things now.

And then depending on the traction we're getting in the business, we'll see if we take that up or down.

But that's where we're giving you some guidance on in the third quarter.

**Operator:** Your next question comes from the line of Mark Shmulik with Bernstein Research.

**Mark Shmulik:** I appreciate the color in the shareholder letter about on the weekly basis, the 50 million scrollers, 60 million seekers. Curious how you think about that mix shift going forward? Should we be looking for a kind of similar mix, or kind of a focus area on one versus the other? And then a second question, just on search. The 70 million weekly, as you think about kind of the cohorts or vintages of search behavior, particularly with Reddit

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Answers, is it kind of those early users that you're seeing a lot more usage of -- or is it really the broadening out of incremental users kind of using the new Reddit Answers product?

**Steven Huffman:** Thanks, Mark.

So on the mix shift of scrollers and seekers -- we don't have a, I think, preference of the mix of those over the long term.

What we would actually expect is, for a single user to be both in a single day. And, in fact, I think for most of our users, this is already true, whether they're running a search on Reddit directly or using a third-party search product and coming to Reddit, which is just about anybody using Google at this point will end up on Reddit at some point. Those users also can be core Reddit users. And so it's not a stretch to say that our core users are already scrollers and seekers.

And I think a user may open the app, a core user may open the app, with either of those use cases in mind. And so we want to service both of those use cases as effectively as possible.

So I suppose as I talk my answer should be -- I would expect it to be balanced.

But external search will continue to be a big driver of new users, but both use cases are really important to Reddit. And in terms of the 70 million weekly users that we see running search on Reddit today, what we call Reddit Answers, right now in the app is basically a second product from the core Reddit Search. It's down in the nav area of the app. And so I think it's really important that we start to merge those two.

And so you'll probably hear us in the coming quarters, talk less and less about Reddit Answers as a product and more as a capability that we just layer into core search and integrate throughout the product. And there's many areas outside of a search bar where we can do that integration. Basically, anywhere in the app today where we might present you a list of links.

So of course, that's search, but it's also at the bottom of a comment page or post detail page where we show you other things you might be interested in. I think that's a good opportunity for the Reddit Answers capability to do the work for the user. So instead of tapping a bunch more Reddit posts, they can get a sense of what's inside them already with that capability.

So that's how we see that developing. So I think the mix shift will continue to be balanced.

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We expect to grow and our users should do both in a day. And integrating that Reddit Answers capability throughout the whole app rather than it being a kind of distinct experience.

**Operator:** Your next question comes from the line of Doug Anmuth with JPMorgan.

**Margaret Hoffman:** This is Maggie on for Doug.

I was curious about any early learnings you can share from testing Reddit Lite internationally, both from an engagement perspective and just your view on the opportunity to better monetize that user interface -- and also just how you're thinking about more of a broader rollout.

**Steven Huffman:** Sure.

So Reddit Lite was a -- basically a rebuild of the core app experience that we tested internationally.

What we're doing right now is -- what we learned, no surprise, if you make the app easier and easier on the eyes, a lot of things we care about start to move in the right direction.

Our focus right now is bringing those UI improvements to mass market, including the U.S., as quickly as possible. And so within Reddit Lite, we tested simpler posts -- we tested kind of what we call a more unified post view, some simpler core interactions from the feed to the comments and back, stripping out some of the things in the app that might be distracting to a new user.

And so I'd say from that test, we saw what we needed to see, which is -- these are good initiatives. And now our focus is on incorporating that into the core app. And that's what we want to do and get in front of users as soon as possible.

**Operator:** Your next question comes from the line of Rich Greenfield with LightShed Partners.

**Richard Greenfield:** The NFL decided that keeping Sunday Ticket exclusive was more valuable versus licensing it to multiple platforms.

I'm wondering, Steve, as you talk about sort of the value or the unique value and growing value of Reddit data in an LLM, Gen AI world, -- is there a world where we could imagine

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Reddit data being only licensed to one LLM and block access to all others, and maybe even incorporate traffic guarantees so that you ensure that the LLM that you work with doesn't impact traffic to Reddit over the long term? I'd just love your reaction to how you think about that dynamic.

**Steven Huffman:** Thanks, Rich.

I think it's too soon to say what the shape of kind of future partnerships may be. What we've done -- what we've learned since we did those deals is that the Reddit corpus is not just essential, but appears to be growing in importance to some of the largest players on the internet. And so of course, this puts us in, I think, a really good strategic position. I think everybody can see that Reddit data is extremely valuable.

But we're still learning how much folks depend on our data, what they use it for.

I think we've still got some time before we need to kind of answer these questions in terms of what structures might look like going forward.

So for the time being, it's to continue to learn on the partnership side and continuing to build the best products we can on our corpus as well, and we'll see how that develops over the next couple of years.

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

**Jason Helfstein:** Two kind of Google related questions.

One, we saw some of our Google testing expanded in more discussions in forum's results.

Can you share any thoughts on that? It would seem like that could be a positive for you? And then second, any comments on how you think AI mode impacts or can drive traffic to Reddit? If AI mode was to kind of become a default versus AI Overviews?

**Steven Huffman:** Thanks, Jason.

So, yes, Google is testing lots on their side.

I think their product is evolving rapidly, and that affects everybody in the ecosystem. But I think you're right. We've seen some puts and takes there. But I think there's a couple of things that are foundational.



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One is that the Reddit corpus is really important to these products and important to people more broadly.

It's why the word Reddit is one of the most searched for terms on Google, because users around the internet go to Google with the intention of ending up on Reddit.

And so I think the natural thing to do is to give the user what they want. And so we expect to see kind of more product movement there.

But I think as long as the Reddit corpus continues to grow, users will continue to seek it out by name. And we believe that will benefit us over the long term.

And my answer to your second question is basically the same. How does AI mode impact traffic?

Look, again, what users want is the Reddit perspective. And so as long as this is true, I think that's a great thing. And so regardless of how they get to Reddit, our job is to help internet consumers find the kind of answers to their questions and turn that into helping those users become kind of regular core Reddit users, as both the seekers and the scrollers.

So a lot of movement here, of course, but I think it's created kind of a net opportunity for us.

**Operator:** Your next question comes from the line of Andrew Boone with Citizens.

**Andrew Boone:** Steve, in your letter and prepared remarks, you talked about reaching self-sustaining international markets.

Can you talk a little bit about where you are in that progress, and what else you guys need to do to really unlock the international opportunity?

And then, Jen, I think the second quarter was 50% kind of growth of your advertiser base. Can you talk about just the product roadmap to ensure that you guys do continue to widen the breadth of your ad auction?

**Steven Huffman:** Thanks, Andrew.

So, internationally -- everything we've mentioned on the call so far applies, but having a product that delivers value to users immediately in their first session, so the search

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experience, relevance of personalization. And of course, with internationalization, we have to develop the content base to support that as well.

So in the short and medium term, we've used machine translation of the predominantly English corpus to do that, and that's going very well. But what we really want to see are local communities created by local users.

And so to facilitate this, we're doing a lot of moderator outreach. We're making moderation much easier, much simpler. We can use AI and LLMs to help there quite a bit. And we're building out more tools for moderator recruitment. So users can recruit more mods to their communities and help get them off the ground more quickly.

And then the personalization aspect of this, it's not just to bring relevant content to users, but also to -- it serves as now the primary way that new communities are discovered. And so as the personalization becomes faster and more effective, new users will get to discover new communities. And so that will help new communities get off the ground and grow and thrive more effectively. And so it's both really kind of every aspect of our work kind of comes together to grow internationally. The product quality, the kind of community and moderator community development, and then the community discovery to get all these things off the ground.

Jen, the second question was to you about the ads product roadmap.

**Jennifer Wong:** I think the question was around just continuing to grow the active advertiser rates, what does that take in the roadmap.

So there's so many more advertisers that can be on Reddit. A lot of them are logos in large customer portfolios. That's our direct team going out and building those relationships.

But many more are in the scaled segment in mid-market and SMB. Those businesses, they're smaller and what they require is ease of use.

So they really need very simple automation that delivers the performance that they need.

And we're working on automation, we're what I would call semi-automated in a number of key modules including performance. We are not yet end-to-end automated. So that is something that we're working on each of the modules and putting them together. But I think end-to-end automation is on our radar as something that's important for especially smaller advertisers.

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The second thing is, once you have that capability, there's just the raw acquisition engine and marketing, making sure that you acquire those advertisers onto your platform and we do that today, but I think we can do that at even larger scale as we have that capability to onboard them even at even more scale. Like I'll just give you an example, feature of automation.

Some companies come with no creative or very rudimentary creative that you want to augment. And the great news is Gen AI and a company like Memorable will help us do that, but we have to build that and integrate it into our ad platform.

So we're on that journey. It's on our radar, but those are the things that need to come together for a really large, large scale of active advertisers.

**Operator:** Your next question comes from the line of Brad Erickson with RBC Capital Markets.

**Bradley Erickson:** I guess, first, just how do you think you're doing in terms of kind of where are you in the evolution of how your ROAS compares to other social channels? And in cases where you are winning a lot of these incremental dollars, do you feel like you're securing brand-new budget from these advertisers? Or is it maybe coming from other platforms? That's my first one.

And then the second one, you mentioned the new business profile sign-ups picking up. Is it fair to assume that you're converting some of those profiles into ad customers? And I guess, just generally, how fruitful of a channel do you think that can be over time?

**Jennifer Wong:** Sure.

So we -- where customers share with us, ROAS, we certainly benchmark ourselves.

I would say we are consistently getting better and better and more competitive. And to the extent that we are given the information or tracking, it's something that our teams are very focused on. I think there's a lot more there. I think we can do even better. But these advertisers -- the reason why the objective grows is because they're seeing the results. I mean it's very definitive based on return on ad spend or your CPA, your cost per acquisition.

So I think the growth that we've seen in that objective is directly an output in the performance that people are seeing in our increased competitiveness.

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Where that budget comes from? I think overall in the market, I think there is consolidation. I think we are seeing that. I think when people see performance, they will consolidate around it and move budgets toward that.

So I'd like to think it's probably a little bit of both. The market is also growing. So and that's an opportunity for us as a platform, so both.

Reddit Pro is still early in its life, but we -- one of the things that we really like about it is that more and more, we are getting businesses coming to us to ask how they engage on Reddit, both in a paid marketing way and in an organic way, because they know the two together are just so important to their business.

So we are seeing businesses come on to Reddit, join, and then we are building the sort of pipeline between connections between folks who have come on to Reddit Pro and then the connections into our ads manager.

I'll give you an example. There's an ad product that we've worked on, which is where you can make an organic post, and then you can boost it in the ads manager. And the Insights in Reddit Pro help give you some early indications on where you might want to boost that, where you might have resonance.

We're so early in building those connections, but we do see the opportunity to convert from one to the other.

**Jesse Rose:** Krista, I think we're bumping up against time here.

So we're going to wrap there. I want to thank everyone for joining. We appreciate it. And look forward to speaking to you all again soon.

**Operator:** This concludes Reddit's Second Quarter 2025 Earnings Call.

You may now disconnect.