

04 - 30 - 2026

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Reddit Q1'26 Earnings Call

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CORPORATE SPEAKERS:

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Reddit Inc; Head of Investor Relations

Steven Huffman

Reddit Inc; Co-Founder and Chief Executive Officer

Jennifer Wong

Reddit Inc; Chief Operating Officer

Drew Vollero

Reddit Inc; Chief Financial Officer

PARTICIPANTS:

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Raymond James; Analyst

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Piper Sandler; Analyst

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PRESENTATION:

Operator: Good afternoon. At this time, I would like to welcome everyone to Reddit's first quarter 2026 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: Thanks, Krista. Hi, everyone. Welcome to Reddit's first quarter 2026 Earnings Call. Joining me are Steve Huffman, Reddit's Co-Founder and CEO; Jen Wong, Reddit's COO; and Drew Voller, 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. 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 first 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. Thank you for joining us today.

We're excited to start the year off with a strong first quarter. As we've been building Reddit over the years, I have often reflected on, and been inspired by, the unique opportunity in front of us, and the fact that Reddit is truly a one-of-one company. That idea came up again and again during Q1 with one of the most tangible proof points being our strong commercial results.

This marks our seventh consecutive quarter with revenue growth over 60%, with industry-leading gross margins over 90%, an adjusted EBITDA margin of 40%, and record cash flow of more than \$300 million. At the same time, our capital expenditures remained low at just \$1 million, underscoring the advantage of Reddit's capital-light model.

When you look across the more than 300 publicly-traded tech companies, there's only one that combines this type of growth, profitability, and efficiency, and that's Reddit. Our commercial success is differentiated because our community product is differentiated.

What powers these results are Reddit's raw materials.

First, we have deeply engaged users who come to Reddit for high-intent uses, authentic recommendations, and answers to questions like: "What should I watch next?" and "What type of stroller is best for two kids?"

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Second, we have an ads business that is built on context, interest, and commercial intent. Around 40% of conversations on Reddit are commercial in nature, where people are actively discussing products, services, and purchase decisions. And these conversations are uniquely influential: 84% of shoppers say they feel more confident in their decisions after researching on Reddit.

When you combine these two things – engaged communities and commercial intent – you create a powerful environment for advertisers. We see this in the outcomes we're delivering and in the continued scaling of our ads business and ARPU growth.

Another reason Reddit stands out today is our position in the AI landscape. Reddit is built on more than two decades of human conversation – over 25 billion posts and comments – and every month, our communities generate the equivalent of Wikipedia's entire content library in new content.

As AI becomes more prevalent, people increasingly seek out real human perspectives and in turn, AI models rely on these perspectives to train and power their products. Scarce assets tend to become more valuable over time, and authentic human conversation at scale is becoming increasingly rare. Reddit's conversations are like oil for the modern internet: a foundational resource powering the next generation of technology.

On the user side, we are making steady progress, but we still have work to do to increase frequency and accelerate growth toward the levels we see on leading platforms.

We believe Reddit has the potential to be one of a handful of scaled global platforms on the internet. We already have tremendous reach today with nearly 500 million weekly users globally and 200 million in the United States. Now it's about driving both greater reach and greater frequency.

In particular, we're focused on growing our daily user base in the U.S. to a size closer to that of the largest platforms. Our goal is to reach 100 million daily U.S. users, and we are actively executing a strategy to get us there.

One thing that has become clear is that product quality leads to growth. I believe our previous ways of working yielded the best results we were capable of, but not the results we aspire to. So to get to the next level, we first had to improve ourselves. Over the last year, we've made – and continue to make – a number of foundational changes to both our talent and infrastructure that we believe will unlock significantly greater headroom for Reddit's growth.

We strengthened our teams with more people who have successfully grown other major platforms, we've added critical machine learning talent to build the capabilities required for

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today's internet, and we've improved our processes for data, experiments, and shipping more quickly while still improving quality so we can realize our vision.

We made advancements across several product areas this quarter that we're encouraged by, including bot verification, improvements in core user engagement, performance gains across the stack, and continued success with machine translation. Looking ahead to the remainder of 2026, our priorities include broadening the top-of-funnel, improving new user retention, and making Reddit faster across the board, which remains a meaningful opportunity and can lead to an outsized impact.

Our mission to empower communities and make their knowledge accessible to everyone is ambitious, and it won't be achieved in a single quarter. But we're making steady progress, and we won't rest until we get there.

As always, thank you for being on this journey with us. With that, I'll hand it over to Jen.

Jennifer Wong: Thank you, Steve. Hello, everyone. It was a strong quarter and an excellent start to the year for Reddit. There are a number of encouraging factors contributing to our commercial success and we're also seeing favorable secular trends that support Reddit's long-term opportunity. Beyond the raw materials Reddit has for an advertising platform, Reddit is playing a bigger role in the consumer decision journey.

While people are using AI-summarized information, people are also increasingly wanting to see and incorporate a breadth of perspectives from other people into their decision-making. The value of authentic human perspective is increasing as more information is generated and summarized by models.

That's where Reddit stands apart. People are looking for real opinions, real experiences, and real product usage from other people. For example, people are coming to Reddit to validate what they read and hear elsewhere, including the responses they get from LLMs. This adds to our billions of conversations and perspectives that help people evaluate products, services, and ideas through the lens of genuine human experience.

This search for human perspective is embedded in how people make decisions, especially purchase decisions. And as a result, Reddit is becoming more integral to that journey.

At the same time our advertising platform is becoming increasingly effective at converting that growing intent into meaningful business outcomes.

Now moving to our results. In Q1, total revenue grew 69% year-over-year to \$663 million, and advertising revenue grew 74% year-over-year to \$625 million as we saw broad-based strength across the business. Revenue growth in Q1 was driven by a combination of both impressions

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and pricing growth, reflecting the scale of our platform and our investments in the ad stack to deliver strong outcomes and make every impression more valuable.

Our investments in the ad stack, including machine learning for signal optimization and ad formats, combined with our go-to-market strategy, are delivering meaningful outcomes for advertisers and driving strong growth in new advertisers.

In Q1, conversion-driven, lower-funnel revenue remained an area of strength, growing triple digits year-over-year. Performance-oriented revenue represents over 60% of total ad revenue, and is well balanced across industry verticals, creating durability and resilience, while still leaving significant headroom for growth.

In Q1, we saw strength across most of our top verticals, particularly retail, CPG, tech, and media and entertainment, while the number of active advertisers on the platform grew more than 75% year-over-year.

Now I'll discuss the progress in our ad stack and roadmap where our investments are measurable, and our strategy is to make all businesses successful on Reddit by delivering market competitive outcomes across objectives.

We're executing this strategy across three areas: number one, scaling automation through our ads platform in Reddit Max; number two, delivering advertiser value across all objectives; number three, expanding the 'Reddit for business' ecosystem.

Now starting with automation. Our strategy is to integrate more automation and AI into our ad stack to enable faster adoption of new features, ensure advertisers are set up to get the best performance from Reddit ads, and increase the productivity and impact of our sales team. Reddit Max launched to beta in early Q1, and we're seeing strong adoption and performance outcomes for converting mid- and lower-funnel advertisers.

On average, advertisers are seeing a 17% reduction in cost per action and 25% more conversion outcomes when running Max campaigns. Advertisers are also increasingly adopting AI in their campaign set-ups, with about 50% of Max campaign advertisers using AI-powered creative features to unlock even stronger performance.

For example, modern furniture and rug company, Cozey, launched a Max campaign utilizing AI-driven targeting, automated bidding, and creative rotation to scale customer acquisition with fewer manual inputs. Max quickly became one of their most efficient levers for acquiring new customers, delivering 35% higher ROAS and 28% lower CPA, while saving the team approximately two to three hours per week on setup and optimization.

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Now moving to our progress across all marketing objectives. With our reach of nearly half a billion weekly users, Reddit delivers strong outcomes for brand advertisers.

In the upper funnel, brand auto bidding is now available to all advertisers which dynamically adjust bids, enabling advertisers to spend more efficiently and simplifying campaign management. Our tests show an average 16% pricing improvement when advertisers adopt auto bidding.

In the lower funnel, our investments in machine learning signals and optimization are continuing to deliver performance and efficiency for advertisers.

In Q1, we doubled the number of conversions delivered for advertisers across the platform versus last year, which means advertisers benefit from more conversions on their ad spend at lower cost per action, reflecting the efficiency and performance of our ads platform.

As I mentioned earlier, Reddit is deeply ingrained in the consumer shopping experience and we saw the momentum continue with 40% year-over-year growth in high-intent shopping conversations last year. Our shopping products help businesses capture that intent more effectively.

With Dynamic Product Ads, or DPA, we're improving relevance in ad formats to drive stronger performance and advertiser value.

Recent investments in DPA delivered more than 90% higher ROAS year-over-year on average, and brands, including the health and wellness company, Liquid IV, saw Reddit's DPAs outperform their other conversion campaigns by 40%.

We're building on the progress with new shopping app formats designed to improve discovery and conversion, including Collection Ads and Reddit-unique overlays such as "Redditor's Top Pick" that capture the perspectives of Reddit's communities for specific products.

And lastly, I'll touch on our strategy to build an ecosystem of partners around Reddit. At Shoptalk in March, we announced an integration with Shopify that strengthens our retail and ecommerce partnership ecosystem. The integration expands our reach to advertisers and makes it easier for them to set up and scale lower funnel campaigns on Reddit.

The integration is early and in the process of ramping. We're excited about how this can build a deeper presence with mid-market and SMBs.

As we scale performance advertising on Reddit, third-party measurement partners are important for validating our impact.

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In its latest retail commerce study, Fospha found that Reddit improved cost per purchase by 34%, while increasing ROAS and helping advertisers scale spend by 2.5x year-over-year.

We have seen growing adoption of Reddit Pro since expanding access to all publishers, giving them self-serve tools to auto-import articles, receive AI-powered community recommendations on where to share them, and measure the reach and engagement of their content on Reddit.

Publishers ranging from global outlets to local press, like Fortune Media to the SF Chronicle and Dallas Morning News, and sports brands like Arsenal F.C., are now using Reddit Pro.

Overall, there's a lot to be excited about this year. And every day, we see more businesses coming to Reddit to connect with their audience and grow their business.

And as the pace of change in the market grows, Reddit's fundamental assets and value proposition, built on authenticity, trust, and high intent, keep us exceptionally well positioned.

Thank you for joining us and for your continued support. Now I'll turn the call over to Drew.

Drew Vollero: Thank you, Jen. And good afternoon, everyone. The financial headline for Q1 was that Reddit's results stand alone in a very positive way. Reddit continues to scale quickly, generating cash flow and profitability results that few companies can match at this scale.

Specifically, Reddit's Q1 47% free cash flow margin was a powerful proof point to superior cash flow generation. While Reddit's earnings power was evident in two financial milestone achievements.

On a GAAP basis, EPS reached triple digits in Q1 at \$1.01 a share, up more than 7x from last year.

On a non-GAAP basis, Reddit achieved a 40% adjusted EBITDA margin in Q1, up almost 1,100 basis points from last year, a similar signal of strength and differentiation. This strong start is encouraging, particularly since historically, seasonality has contributed to making Q1 our slowest quarter of the year.

I'll now provide more color on our Q1 results. Q1 revenues of \$663 million grew 69% year-over-year, driven by a ramp in ad revenue which grew 74% year-over-year to \$625 million as we saw strong advertising demand across the funnel. It's our seventh consecutive quarter by growing more than 60%.

Other revenue which included revenue from our content licensing business reached \$39 million, up 15% year-over-year. U.S. revenues were up 67%. International revenues were up 76%. Average revenue per user ARPU grew 44% year-over-year to \$5.23.

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Moving to expenses. Our Q1 total adjusted costs, which included both adjusted cost of revenue and adjusted OpEx, were \$397 million in Q1, up 43% year-over-year, but sequentially lower than Q4.

Working our way down the income statement, gross margins were 91.5%, up 97 basis points year-over-year, our seventh consecutive quarter over 90%. Incremental revenues and hosting efficiencies helped to offset increases in cost of revenue, which was \$56 million in the quarter, up 52% year-over-year. Those cost of revenue increases reflect volume growth and users and ads served, more ML usage, and more international investments in speed and reliability.

Operating expenses remain a bigger piece of our expense composition, which on an adjusted basis were \$341 million in Q1, or about 51% of revenue, down from 61% of revenue last year, as we gain operating leverage across the business.

For Q1, adjusted operating expenses were about flat sequentially, but did grow 42% year-over-year, slightly elevated from last quarter.

These year-over-year increases continue to be driven by investments in two key areas: hiring and marketing.

On hiring, we added about 32 net people in Q1, up 12% from last year and up about 1% sequentially from Q4.

We're selectively hiring talent in key revenue and consumer functions like sales, ad tech, and ML engineering. The returns from our investments in these areas are measurable and multiples of the cost within a short period of time.

Second, on marketing, our spend was primarily in the U.S., where we prioritized both paid and brand strategies to expand awareness and drive traffic.

Total marketing costs in Q1 were in the mid-single digits as a percentage of revenue, but were lower nominally and as a percentage of revenue from Q4, as we benefited from lower seasonal ad pricing in Q1.

Overall, user retention remains an opportunity and an important unlocker to improving investment returns in marketing.

Our third major cost is stock compensation and dilution which remains a positive story. Stock-based compensation and related tax expense was \$79 million, or 12% of revenue, in Q1, and down sequentially from Q4.

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Similarly, dilution remains modest. Total fully diluted shares outstanding was 206.4 million, up 0.1% sequentially and up 0.2% year-over-year. The modest share growth in the quarter reflects the continued tight management of our equity spend.

For Q1, there was a slight tailwind for dilution for share repurchase activity, although share repurchase activity was modest in the quarter, about 35,000 shares and about \$995 million remains on our \$1 billion authorization from February.

A few more financial points of interest. The business remains capital-light. CapEx was \$1 million, 0.2% of revenue. Net income was \$204 million, \$1.07 per basic share and \$1.01 per diluted share, up more than 7x from \$0.14 and \$0.13 last year, respectively.

We ended Q1 with \$2.8 billion in cash and investments, and we're well positioned to deploy capital across our three priorities, including investing in the core business, M&A, and share repurchases.

Now turning to the outlook, we'll share our internal thoughts on revenue and adjusted EBITDA for the second quarter. In the second quarter of 2026, we estimate revenue in the range of \$715 million to \$725 million, representing 43% to 45% year-over-year revenue growth with a midpoint of about 44%.

Our Q2 revenue guide considers the strong growth and momentum in the business as we exited Q1 and takes into account the lapping of a particularly strong growth period in Q2 2025, where total revenues grew 78% and ad revenue grew 84%.

Moving to adjusted EBITDA. We expect Q2 adjusted EBITDA to be in the range of \$285 million to \$295 million, representing approximately 71% to 77% year-over-year growth and an adjusted EBITDA margin of 40% at the midpoint.

The Q2 guide assumes a total adjusted cost basis of \$430 million, which implies a growth rate of approximately 29% year-over-year, which is lower than prior quarters as we begin to lap our investments in sales and marketing, which started in Q2 of 2025. I'd also like to make a couple of other points.

We anticipate our Q2 stock-based compensation and related tax expense to be sequentially higher than Q1, driven by increased hiring and the timing of our annual stock refresh grant, which happens mid-second quarter. That said, for the quarter, we expect to see good cost leverage on SBC expenses, with our internal estimates showing that year-over-year stock-based comp expenses could grow about half the rate of revenue for the quarter.

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Also as we mentioned on our Q4 call, Q2 2026 will be the last period we disclose logged-in and logged-out DAUq metrics. Beginning in Q3 2026, our user disclosures will continue to include U.S. and International DAUq and WAUq as we've done historically.

So to summarize, strong fundamentals matter and Reddit's financial model is scaling in a very positive way. Reddit is becoming a leader: a leader in growth, a leader in profitability, and a leader in cash flow margin.

We're off to a strong financial start in 2026. Reddit's raw materials position us well for growth and our advantaged financial model is turning top line gains into meaningful increases in cash and profitability.

That concludes my comments. So let me turn the call back over to the operator.

Operator: First question comes from Doug Anmuth with JPMorgan.

Douglas Anmuth: One for Steve and one for Jen. Steve, can you just talk about the work you have to do on the user side to increase frequency and accelerate growth and what you think will be most impactful over the next several quarters?

Then, Jen, on DPAs, you announced a number of shopping tools to enhance DPAs. Can you just help us understand how you're thinking about current adoption and the progress you're seeing with that format?

Steven Huffman: Sure. Thanks, Doug.

Okay. On the user side, we've seen some progress in the quarter that we're happy with - improvements in onboarding. We had a couple of experiments do well, ramped up to 100%. Some contribution from feeds as well. I think as we look over the rest of the year, the biggest drivers will probably be performance. So just the kind of pure speed of both iOS and Android, I still think there's a lot to do on onboarding.

I think the biggest driver long term will be the feed. So hence the focus on ML talent for us right now.

So I think all of this is in alignment with what we've talked about for a long time, which is: make the core product work better. I will say over there, we've seen nice progress on search as well, which is itself a driver. Search WAUqs are up 30% year-over-year. So I think solid progress there as well.

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The big picture story here is we've been really focused on the team, the processes, the tech; upgrading all of those things over the last year. So I feel the foundation is better than what we've seen in the past to achieve these outcomes.

Jennifer Wong: I'll take the second one on DPA.

Look, we launched DPA a year ago. This is -- in the world of ads, I'd say shopping is probably one of the more complicated products. Obviously folks have been offering DPA for longer than we have. So there's a lot of headroom there to, I think, improve our models and the onboarding process, et cetera.

But I think the team has done a really good job in giving, I think, great ROAS improvements to our customers. With the Shopify and WooCommerce partnerships, I think, that's an opportunity for us to acquire more sort of mid-market and SMB customers into DPA.

So we're excited about that. Again very early, but we're excited about that opportunity. And because right now there's still thousands of advertisers that can adopt DPA that haven't adopted yet. I will say we're still early. We're very focused on retail and retail catalogs in the future that's still ahead of us. Folks use DPA for travel, for auto, and for other categories that we haven't even focused on to date. So I think there's a long roadmap of opportunity here for us.

Operator: Your next question comes from the line of Josh Beck with Raymond James.

Josh Beck: Yes. I wanted to maybe double-click on the ML talent, Steve. And maybe if you could kind of give us the short list of maybe some of the projects that the team is working on, what was most important this year?

Then also with respect to top of funnel. Obviously that's a goal for you all. I'm just kind of curious what have been maybe some of the most successful strategies and, kind of, how you're thinking about driving more top of funnel as you move through the year?

Steven Huffman: Sure. Thanks, Josh.

So Josh, on machine translation -- excuse me -- machine learning, so the feed, look, it's basically everything.

So it's both collecting more signals. It's also being more judicious about the weighting of those signals. It is updating our models faster. So designing a new model, getting into production, I think that can be quite a lot faster.

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It's pretty much the entire stack. This reminds me of, kind of, our journey in the -- on the ad side, where when we look ahead, we feel confident basically everything we do will work because it has worked for other platforms. We're just on the early side of this journey.

We've been bringing in a lot of talent from platforms that have billions of users who have worked on this problem before.

So it's really the entire stack. And quite honestly, it's all of our processes around it.

Our goal is to go from where we are today, about 50 million U.S. users, to 100 million U.S. users.

Since we have 200 million U.S. weeklies on the platform already, we believe investing in the feed here will improve retention and increase frequency and get us there.

But really, my answer is: everything.

Jennifer Wong: Yes. I can talk about the top-of-funnel.

So let me start with our existing top-of-funnel, which is really significant, and that's some of the traffic that we get from search.

There's an effort to think about "how do we convert that traffic from that search use case to the core Reddit use case," which is a combination of search, enjoying different communities, and enjoying the feed.

So that's an opportunity for us, and that's core to our roadmap strategy.

The second is increasing the top-of-funnel, which is the work that we do with marketing.

It's different by different territories. So if you think of a mature market like the U.S., that's an area where we go after specific audiences where we have a great content foundation in parenting or in football, like the NFL. We're just trying to help -- let people know that there's -- there's great content for parents and for football fans on Reddit.

And so we've done some of that brand and lead generation work to sort of prime the market to increase that awareness.

Then we have work outside of the U.S., where we also have more brand foundational work. For example, people might know Reddit through search, but they may not have the broader understanding of the differentiators of Reddit: that we're the most human place on the internet; that we have this network of communities.

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So we're building, investing in some of the more broader brand foundations that, again, will allow us to prime a new top-of-funnel and add to the top-of-funnel that exists today.

So -- in both, I think, we're very early in that journey and that for many years, Reddit, for most of its life, has not invested in marketing.

So that remains, I think, fertile ground for us.

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

Ronald Josey: Steve, I want to sort of understand a little bit more your points on the progress around verification processes and bot labeling here, particularly as the sign-up and log-in process evolves and the feed evolves as well.

So help us understand a little bit more about the process around verification and the success or progress with bot labeling?

Then, Jen, with Reddit Max in the first quarter, clearly seeing a lot of progress and momentum here. Just talk to us about some of the key learnings that you're looking to take to this next level of Reddit Max, the next version as we continue to see greater adoption?

Steven Huffman: Thanks, Ron.

So Yes. You asked about verification and bot labeling, and there's also a third dimension to this which is user log-in in general. These things are actually all overlapping.

So I'll start with the easiest one, bot verification. So we have what we call good bots on Reddit which are basically programs that mostly moderators have written to help run communities on Reddit. We're porting those over to our developer platform. That will both result in them being labeled on Reddit more transparently and also allow us to batten down the hatches more on unauthorized bot usage.

So this is both transparency for users and also part of the human verification and defense of Reddit.

On the verification and login side, one of the key technologies there is something like passkeys. So passkeys is a general technology that includes things like Facetime, Touch ID, Yubikeys -- it's basically a log-in system that requires a person to do something, look at your phone, or touch something. This is both a more secure way of logging in, an easier way of logging in, which will help us just grow login users in general and then also serves as probably the lightest weight and most privacy- and user- acceptable way of doing human verification as well.

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So all of these things kind of tie together to add more transparency to Reddit, improve bot defenses for Reddit, and increase login for Reddit. All of this work is underway on all three of those dimensions. So we shipped a few things in Q1. We've got a few more coming in this quarter as well.

Jennifer Wong: Okay. Regarding Reddit Max, I've been really pleased with the adoption of Max. I think customers have been really willing to make the conversion. We've been focused on existing customers and converting existing customers. They're very pleased with the CPA benefits that they're seeing out of the gate which is great.

I think what this opens the door for us to do is to have faster adoption of our new performance features.

And we see this because some of that benefit is coming from the fact that they hadn't adopted maybe one or two features that they auto-adopted when they moved to Reddit Max and immediately, they are seeing the performance benefit of that.

And so this will shorten the timeline by which we can roll out performance features to customers, which we're really excited about, and sort of take the operational friction there out.

The other thing is they really love the insight. So we invested not only in delivering the performance, we invested in giving insights on, okay. Well what did the automation find that was unique on Reddit that makes you learn about what your creative -- how your creative matched to what community on Reddit? And we're getting an incredible, like, positive response from our customers in that it doesn't feel "black boxy" to them. They're actually learning from using Reddit Max, and that's an area that we'll continue to invest in.

And we really started with converting existing advertisers.

But given the adoption and the positive response, we're now moving toward onboarding new customers directly into it.

So feeling really, really positive about what we've seen so far.

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

Jason Helfstein: Maybe like one DAUq related question with two parts.

So one, we get a lot of questions from investors just about DAUq and how important it is. Obviously from a long-term perspective, it's important. But right now it's not a huge focus of the company given it's more about monetization. But I guess Steve, maybe just talk about like,

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again how important is it to you to see stable to improving DAUq growth and the ways that you can kind of control that in the short term.

Then as we think about the discussions around AI and the third-party agents leveraging your data, how potentially you can get credit for, call it, DAUq that's generated on third parties and perhaps that's a part of the larger discussions around AI licensing.

Steven Huffman: Okay.

So contrary to that, DAUq is the primary focus of the company because revenue is doing very, very well. So DAUq is both our mission - communities for everybody - and also fuel for the business. So DAUq is the top priority.

We have a particular focus right now on the U.S. DAUq - so how do we go from 50 million dailies to 100 million dailies? As I mentioned before, the opportunity's on our doorstep because you look at our weekly number, there are 200 million Americans on Reddit every week. So -- we think about how do we increase that frequency from maybe once a week to, for example, every day. There are -- there's a lot on the list here.

Our focus the last couple of quarters has been onboarding. We're seeing progress there. We've moved new user retention in the quarter. Feeds will be a major driver looking forward. I think we're at the relative beginning of our journey there. Search has been a consistent driver.

So carrying most of the weight the last couple of quarters has been machine translation - we're translated into 30 languages today. We've been able to lower the cost there which is nice. It allows us to scale even more there.

Then performance is another big driver. We look at gaps between iOS and Android and what we -- the expected delta should be, which is basically 0. So I think a lot of opportunity there as well.

So I'll just reiterate, DAUq is actually the top focus of Reddit and in particular, U.S. DAUq.

You had a second part of your question about AI and some third-party agents.

Look, this is an ecosystem we live in. We have important partnerships with both Google and OpenAI. Those are very meaningful to us. I think it's mutual. We continue to value those. We continue to look for other top of funnel opportunities in the way to make our products mutually help each other but nothing new to share on those specific relationships at this time.

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

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Richard Greenfield: I got a couple. First, I just want to circle back on this ambitious 100 million DAUq goal. Is there a timeframe for how you're thinking about achieving that?

And if I look at weeklies versus dailies, weeklies are actually growing even faster than dailies. So engagement on that metric is going down. I'm curious what's driving that? And how does that play into getting to this ambitious 100 million goal, Steve?

Then sort of a big picture question that ties to the quote you had in the letter. If you're the oil powering the modern internet, \$50 million to \$60 million a year from Google and OpenAI seems like a pimple, I guess. How are the conversations changing heading into 2027 renewals given the state of where AI is today?

Steven Huffman: Thanks, Rich.

Okay 100 million. Look, when I came back to the company about 10 years ago, we were 12 million DAUq. Over the last 10 years, we've 10x'ed that to over 120 million DAUq. Now we've got our sights set on 1 billion global DAUq and 100 million in the U.S. specifically. I don't know the timeline, but we are, I think, relentless in our work to get there.

As I mentioned in my script, the strategy is the same, which is: build the best version of Reddit. We've been focused on the last year. I thought we built the best version that our company was capable of, but that's not the best version that we needed.

So we've done a lot of work on the team, on the processes, on the technology to get there. We'd like to get there as quickly as possible, but it's going to come through with very consistent product improvements. I've enumerated a lot of the things on the list there, but it's all sensible things if you've used Reddit.

And look, I will note your comments on the pricing for AI deals and include you in our conversations with our partners.

Look, the world can see that Reddit's data is valuable, both our existing partners and potential ones. Look, at the end of the day there is no artificial intelligence without actual intelligence, and that comes from Reddit.

I think one of the dynamics we're seeing in the modern internet is the more it becomes sanitized and summarized and optimized for attention by AI, the more that people crave the human, the human information - that's both AIs that crave it and also the internet consumer or people in general that crave it.

That's our business, it's those human connections and conversations.

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Richard Greenfield: Is there ever a value to an exclusive deal with one company versus opening up to everyone?

Steven Huffman: No comment on that, Rich.

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

Mark Shmulik: Steve, I kind of hate to belabor this point a little bit.

But, kind of, in your opening remarks about the foundational changes to talent and infrastructure. Is that really just focused on engagement and the product? And if so, kind of, when did you realize that you were, kind of, hitting a ceiling? And so, kind of, how far are we into, kind of, some of these material changes? And I guess kind of following on Rich's point, when could we start to see a reflection in the KPIs of some of the efforts of these new changes?

Then secondly, Jen, you mentioned you've seen, kind of, strong performance in both price and ad impressions, ad load. How do you kind of think about the tolerance of users for, kind of, increased ad load and, kind of, as you also think about balancing, kind of, the engagement question or, to ask it another way, is there any risk of, kind of, pushing the revenue lever too far that may have adverse effects on engagement?

Steven Huffman: Thanks, Mark. Look, we've been, I think, upgrading the company top to bottom: the people, the processes, the tech. We're in the middle of that now. I think we've made some important changes with new leadership on product and engineering. We're also bringing in a lot of experienced talent into the company as we speak.

But I think there's more work to do there. There will probably always be more work to do there, but we are really in the middle of it. That said, we are working now. And so we've made changes to onboarding, to the feeds, to search that have all started to drive growth. We've seen some improvements in user retention which is the number we care the most about.

So I'd like to see our progress here accelerate. There's a lot, I think, below the surface just in terms of: how quickly can we get code into production? How sophisticated are our experiment readouts? How quick is our decision-making around these things?

But I look at all of these holistically as getting Reddit to the next level. I think we're partway there. I know we can get there. I think there's another couple of levels for us. So we've been hard at it. But we do expect to see improvements in the results immediately, and we've seen some in this quarter.

Jennifer Wong: I'll take the one on ad load.

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So our ad load overall is still quite low compared to peers, especially if you look at it just on a feed-to-feed basis, it's still substantially lower; and overall on Reddit, we actually don't even have ads in certain high growing surfaces like search, for example.

So overall, I actually feel comfortable on an absolute basis of the ad experiences, there actually is not a high ad load.

But that aside, we test this all the time and I think we're very thoughtful about it.

As you increase the ad relevancy, which we do through our ML work, and we increase the diversity of advertisers in our marketplace, which we're doing. We said we're growing active advertisers, 75% year-over-year. That actually helps with enabling, if you were to move the ad load lever, like, giving you the diversity to still maintain performance.

So just know that there are other levers that we focus on more than ad load, like -- our strategy is not to increase ad load. Our strategy is to grow users, all the things that Steve talked about, where we think we have a 10x opportunity there and to make the value of every impression more valuable through more competition and diversity, through stronger ML optimization and hard marketing outcomes, more clicks, more conversions, more installs per impression, so that the marketer -- we increased our inventory of outcomes versus our inventory of impressions. Obviously impressions will grow, especially with that underlying user growth, but we're very focused on the value that you get from the impression.

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

Thomas Champion: Just curious if you could talk about the monetization trends between U.S. logged-in and logged-out users. Just curious if those are converging at all?

Then maybe for Jen, just any thoughts on the ad market? Anything looking wonky from the high oil prices or travel interruptions overseas? Just curious any general comments there.

Jennifer Wong: Sure.

So for logged-in and logged-out, which, we've spent a lot of time on it, I think the way we think about it is the value of an impression.

So the value of impressions is actually pretty consistent across our two main surfaces, the feed and our conversation page. The only reason why logged-in users, you'd say, have a higher ARPU than a logged-out user is just because they spend more time and they see more impressions. But the -- because of the time spent and the engagement, but the impressions are actually pretty equal in terms of their value. So there's no differential in our ability to monetize any impression against those users. There's no difference.

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We do monetize both types of users, we have great contextual signal on all our users. Then obviously for -- and obviously we have history on logged-out users and even more in terms of logged-in users because they subscribe to communities, et cetera.

In terms of the ad market, look, it's -- we've seen this before. There's volatility in the backdrop, geopolitical. I would say we haven't seen anything acute in any vertical. What we have heard from our partners is that some are planning on shorter cycles. They're planning month-to-month. They don't have as much visibility. No material change in their commitments and their outlook and what they're working on, but just that it might be a shorter timeline as they sort of assess the market. And we're staying close to our customers, helping them through it with insights from Reddit. That's actually been very helpful in this moment.

But overall, the market seems pretty stable, just maybe a little bit more month-to-month with lower visibility.

Operator: Your next question comes from the line of Mark Mahaney with Evercore.

Mark Mahaney: Okay. I'll try two questions. I think when we focus on this DAUq over weekly users we're just trying to get a sense of engagement. I imagine there's a series of metrics that you track internally that track engagement.

Can you just talk about those at least qualitatively, like maybe it's -- maybe it's, maybe hours per session or minutes per session or something else, something that touches on the quality of engagement. Could you just talk about whether there's some trends there that we can't really see from the disclosures that we have.

Then just on Reddit Max. And Jen, I know you talked about this earlier, but where are we in terms of the adoption of Reddit Max?

And how do you increase that adoption across your advertiser base?

Steven Huffman: Sure, Mark. Thank you.

Okay. So on engagement metrics, there are a couple of key ones we look at.

One is new user retention. So, does the user come back after seven days, after 30 days, or after 90 days? That's our core measure of, kind of, product quality and stickiness.

The second we look at is frequency. So, how many days per week do users come to Reddit? We have a lot of users that if you were to do a histogram of days per week, the two tallest bars will be one day and seven days. I think this aligns with our intuition on Reddit.

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Once we've got you, we've really got you.

Then we have a lot of people bouncing off us from search or trying Reddit out. So converting more of those "one-days" to "seven-days", I think it's a big opportunity.

We're starting to mature our thinking around sessions, so sessions per day. That's relatively, I think a new way of looking at – a new way of looking at it for us.

But again, that will be a measure of the feed quality and general retention.

So I think all of these things are important. The most consistent and I think most valuable long-term will be new user retention.

We don't report it, though you can peek at it through some third-party measurement, which I think will show kind of where we are in, maybe, relative to other folks. And again the strategy on all of these things is quality, it's performance, it's relevance, all of the basics. I think there's a lot of opportunity on each of these things.

Jennifer Wong: Just on Reddit Max.

So it's a top priority for our sales team in adoption this year. They started with converting advertisers. There's thousands of advertisers on Max already, but there's many more to convert still and we do want to move toward new advertisers onboarding directly into Max.

We're working on putting Max in the API as well so that partners who transact that way have access to Max.

So look, it's still early. It just was launched in January.

So it's still early. This is a multiyear journey in adoption that goes before us with PMax and Advantage Plus have been at for many years.

But I'm very pleased with the adoption rate and the interest and the benefits that people are getting -- customers are getting, so that's very, very encouraging, but we are less than half a year into this.

Operator: Your next question comes from John Colantuoni with Jefferies.

John Colantuoni: I wanted to ask about international users. Can you talk through how engagement has trended across markets that have undergone machine translation and if you've

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seen any notable shift in log-in adoption or localized content creation once availability of the local language expands?

And second, following up on the logged-in versus logged-out users, is there any component of monetization for the logged-in related to personalization since you have more data on their usage trends and interest just sort of outside of the impressions themselves?

Steven Huffman: Sure. Thanks, Jon.

So on international, what we've learned is every market is different. Machine translation is a, is a great starting point for building the content base. But for the long term, what's most important is getting more native communities, like, communities created in-country with content consumed locally in-country.

So we've seen the effects of that be different in different markets. What we've learned there is we need to have a focus on basically, what we call community success. So how easy is it to create and grow a community on Reddit? And this includes in the U.S.

So that's one of the dimensions to our product work is making it easier to create and grow subreddits. I think there's a lot of headroom here as well and that will affect Reddit in all markets.

On logged-in and logged-out, it's exactly as you would expect. As Jen was saying earlier, logged-in users spend more time on Reddit and that's because, as you imply in your question, we know them better. So we can -- we know their interests. We can do personalization and that, of course, just improves retention and time spent.

So seeing more users in the app, more users logging in, more users getting the personalization faster, drives engagement and, then, therefore, monetization. Again all roads lead to basically the same strategy, which is: help users find content that's relevant to them and come back to the app more often.

Operator: Your next question comes from the line of Justin Post with Bank of America.

Justin Post: A couple of questions. Just wondering if you can update us on how the generative AI engines are using your data and is that increasing since the deal started over two years ago?

Any changes or evolution in the partnership on how they're using your data and the outputs they're providing?

Then second, I think Google made some algorithm changes in April. Maybe there's a question for Drew, but any impacts on usage retention or time spent or anything like that?

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Steven Huffman: Okay. Look, Reddit has been for a while and continues to be the most cited source in AI citations across all platforms.

We have also for quite some time then in the word Reddit has been one of the most searched words on Google. It's been in the top 10, I think for a couple of years now.

So both AIs and internet consumers love Reddit content.

This is because, that, basically human verification of what AI is telling people is really important. At the end of the day you can get a surface level answer from AI, but you need the context.

For many questions, there isn't an answer. There are multiple perspectives describing that answer and multiple reasons why different parts of that answer might be relevant to you or not.

For example, take a simple question. What movie should I watch tonight? Well it depends what you're into, how old you are, all these things.

So Reddit is the best at providing those answers and we've seen basically across the internet, people increasingly crave the human perspective that Reddit provides.

Google algorithm change – these things are business as usual for us. There are always puts and takes. So we see these things. Sometimes they help, sometimes they hurt. They almost never stand out on our traffic long term. So we saw some changes in the quarter but nothing further to comment on.

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

Benjamin Black: So Steve, you mentioned that authentic human connection and that content is your key differentiator. So can you maybe talk about the contribution rates on the platform. How those have been trending? What are you doing to support growth there?

Then secondly, maybe a slightly different take on a data licensing question. What criteria are you looking for, sort of, other than dollars to perhaps go from two partners to maybe three to four data licensing partners?

Steven Huffman: Sure. Thanks, Ben.

So -- we've touched on the call actually the three pillars of our product strategy.

So we spent most of our time in these contexts talking about the onboarding and performance and retention, but we had a question about basically the community ecosystem and how

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important that is for both international and domestic growth. Then your question is on basically the content ecosystem. So communities attract users, users create content. That's one flywheel.

The second is the users create content, content attracts users. That's another area of a lot of opportunity on Reddit. So things we look at there are post success rate. So what percent of posts successfully survived on Reddit, so they don't get removed by a moderator, that sort of thing. That's been a focus of ours.

So things like post guidance, which is an LLM that basically helps the user navigate the rules of Reddit have been a big driver there. We're making improvements to post creation in this quarter. So I think there's a lot of opportunity there as well.

Then some, maybe, unique to Reddit things like the age and karma limits. So a lot of communities don't let new users submit, which makes it hard to grow new users.

So working our way out of age and karma limits with better AI-powered spam protection to help protect communities from bad new users like spammers, but be welcoming to good, new users.

So there's a lot there as well. Maybe next quarter, we can spend more time on the community and content contribution because those are both important aspects of Reddit that we don't usually get into on these calls.

Second, on data licensing, things other than dollars -- look, obviously it's citations, it's mind share, it's just general partnership. Look, these companies have the data centers, the foundational models. So our partnerships with all of these companies are multifaceted.

And so there's a lot we can do in terms of beyond just the dollars. It's, how can these relationships help Reddit achieve its mission?

So bringing in new users, advancing our own AI technology. So things like machine translation, the LLM-powered onboarding, all of the safety things, all of these things are kind of part of what we get through these relationships, which is why they're so meaningful to us beyond just the Corp Dev relationship or the business relationship.

Operator: We have time for one more question, and that question comes from Naved Khan with B. Riley Securities.

Naved Khan: Thank you very much. Two-part question.

One on the rollout of Answers plus search that you did in the U.S. Curious if it helped in increasing the session time or what are the benefits you may be seeing there or not, maybe? That's one.

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The second question I had is just on the international markets. I think usually, you do not start to monetize markets until they reach a certain scale in terms of reach and usage. So of the markets that you are in currently, how many are you starting to monetize is, give us your thoughts there?

Steven Huffman: Sure.

So on search, search, we've seen great performance. Search DAUq, Search WAUq, search queries, all up meaningfully year-over-year.

Search is a great driver of retention. Search has also been a driver of DAUq. The search team is, quite frankly, I think doing a great job. If you use Reddit Answers, you can see it better integrated into the product.

It itself has more agentic behavior behind the scenes.

So things like you can now ask it to compare two things, like: should I watch movie A or movie B?

We're now integrating the product search catalog.

So when you get answers from Reddit about, let's say, "what's the best headphone" actually getting the links to the products as well.

So search is one of the, kind of, main new use cases of Reddit. And across the board is a contributor to -- basically all of the things we care about in addition to search itself.

Jennifer Wong: Regarding the international markets.

So we have direct sales footprint across all channels in the U.S., Canada, U.K., covering Continental Europe as well as Australia through -- with a little bit of the APAC sweep from Singapore. That's where we have direct sales across actually both large customers and our scaled channel which includes SMB and mid-market.

We then have channel partners that cover other areas, other regions where we're able to bring in active advertisers who might want cross-border export through a partner as those markets continue to grow audience.

So we're very thoughtful.

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We reevaluate this periodically in terms of our coverage model, but it's really based on how the users are growing in different areas and then we'll decide our coverage model.

Operator: Thank you. I would now like to turn the call back over to Steve Huffman, founder and CEO, for closing comments.

Steven Huffman: Thanks all. Appreciate the questions.

Operator: This concludes Reddit's first quarter 2026 Earnings Call. You may now disconnect.