

Reddit, Inc. (RDDT) — Asymmetric-Bets Dossier

NYSE: RDDT · CIK 0001713445 · San Francisco, CA · report generated 2026-05-29. Asymmetric-bets framing: data licensing run-rate, ad-platform maturation, international expansion, AI-agent traffic. Analysis, not investment advice.

1. Snapshot

- Ticker: NYSE: RDDT
- Price: ~\$167.17 (28-May-2026 close) [S3]
- Market cap: ~\$32.3bn [S3]
- Revenue: FY2023 \$804m; FY2024 \$1.30bn (+62%); FY2025 \$2.20bn (+69%) [S2][S4]
- Growth: 7 consecutive quarters >60% YoY (year-on-year); Q1-26 +69% to \$663m [S1]
- Profitability: GAAP (Generally Accepted Accounting Principles (US)) NI FY2024 -\$484m (IPO SBC); FY2025 +\$530m (first profitable FY); Q1-26 NI \$204m, adj. EBITDA (earnings before interest, taxes, depreciation & amortisation) margin 40% [S1][S2]
- FCF (free cash flow): FY2025 \$684m; Q1-26 >\$300m [S1][S2]
- Net cash: ~\$2.48bn cash + marketable securities, ~zero debt [S5]
- Valuation: ~14x EV/sales TTM (trailing twelve months), ~33x FY2026E sales/EV-to-FCF ~45x (premium growth multiple)
- Currency: USD
- Geography: ~80% US / ~20% Intl; Intl growing 78% YoY vs US 68% in Q4-25 [S6]
- What: Open, pseudonymous, community-organized text/discussion platform (~100k subreddits)
- Value chain: Two-sided — user-generated content monetized via (a) self-serve digital ads, (b) data-licensing to LLM trainers, (c) emergent AI-search/commerce
- End markets: Brand & performance advertisers; AI model trainers (Google, OpenAI, Anthropic prospect); financial-data clients (ICE) [S7]
- Founded / HQ: 2005 / San Francisco; IPO Mar-2024 at \$34
- CEO: Steve Huffman (co-founder)
- Top competitors: Meta (IG/FB), X, TikTok, Discord, YouTube; Quora as discussion proxy
- Key partners: Google (\$60m/yr data licensing), OpenAI (~\$70m/yr), ICE (financial-data licensing) [S7]
- Catalyst: (1) Renewal/expansion of Google + OpenAI deals into "dynamic pricing"; (2) Anthropic/Meta/xAI new licensing; (3) Ad-platform monetization gap closure; (4) Reddit Answers AI-search productization
- Verdict: High-quality asymmetric long with two genuinely uncorrelated optionalities; momentum-priced but the long tail of AI data revenue is uncapped.
- Confidence: 0.62

2. The Asymmetric Thesis

Reddit monetizes the same scarce input — high-signal, human, English-language opinion text — through three independent channels with different betas and ceilings.

(a) Data-licensing run-rate. Disclosed contracts: Google ~\$60m/yr, OpenAI ~\$70m/yr, plus ICE and Sprinklr [S7][S8]. "Other revenue" ran ~\$33–35m/q in FY2025 — a ~\$140m annualized base. The thesis is repricing: Reddit has publicly proposed shifting from flat-fee to usage-based dynamic pricing [S7]. Given Reddit's ~27% representation inside ChatGPT's *internal* search slots vs 0.35% of visible citations [S9], "other revenue" could plausibly reach \$400–700m/yr by 2028 at ~95% incremental margin.

(b) Ad-platform maturation gap vs Meta. Q1-26 ARPU was \$5.23 [S1]; Meta's is ~\$50, Pinterest ~\$8. Lower-funnel/performance ads only launched in late-2023; Q1-26 delivered triple-digit conversion-revenue growth and +75% YoY active advertisers [S10]. Doubling ARPU over 3–4 years is a base case and would drive revenue toward \$5bn alone.

(c) AI-agent referral & on-platform search. Reddit Answers WAU grew from 1m (Q1-25) to 15m (Q4-25); search WAU from 60m to 80m [S11]. Shopping carousels (Feb-26) [S12] add a high-intent commerce surface

with affiliate/CPC economics distinct from feed ads.

Path to 2–3x. From ~\$32bn, \$60–90bn requires ~30% revenue CAGR (compound annual growth rate) through 2028 (\$2.2bn -> ~\$4.8bn), 35–40% adj. EBITDA margin (~\$1.7–1.9bn), and a 15–20x EBITDA multiple. Assumes (i) data-licensing scales to \$300–500m, (ii) ARPU at least doubles, (iii) AI search doesn't destroy the referral graph.

3. Financials

USD '000	FY2023	FY2024	FY2025
Revenue (total)	~804,000	1,300,000	2,200,000
— Advertising	~775,000	~1,200,000	~2,020,000
— Other (data licensing)	~30,000	~100,000	~180,000
Adj. EBITDA	~(69,000)	~205,000	~880,000
GAAP Net income	(90,800)	(484,300)	530,000
Free cash flow	(86,000)	~215,000	684,000
Cash + securities (EoP)	~1,250,000	~1,800,000	~2,480,000
DAUq (mn, EoP)	~74	~102	~121

Sources: [S1][S2][S4][S5]. FY2023 splits from 2024 10-K comparatives; FY2025 split modeled from disclosed Q1–Q3 advertising (\$358.6m, \$465m, ~\$550m). FY2024 net loss dominated by IPO-related SBC. FY2025 was Reddit's first GAAP-profitable year; Q1-26 confirmed operating leverage is structural.

4. Sector / TAM

- Global digital advertising: \$354.9bn in 2026 (13.8% CAGR); social-media sub-segment ~\$338.8bn [S13]. Reddit's ~\$2.5–3.0bn run-rate is ~0.8% share — doubling is plausible without dislocation.
- AI training-data / dataset licensing: \$4.4–4.8bn in 2026 -> ~\$22–23bn by 2034 (~18.8% CAGR) [S14]. As one of two or three sources of large-scale human-conversational English data, Reddit is structurally over-indexed.

5. Recent News

- 2026-04-30: Q1-26 revenue \$663m (+69%), NI \$204m, adj. EBITDA margin 40%, FCF >\$300m; guidance Q2-26 \$715–725m. [S1]
- 2026-02-19: Reddit pilots AI shopping carousels in search, using DPA partner catalogs — first commerce surface beyond ads. [S12]
- 2026-02-XX: Board authorizes \$1bn share-repurchase program — first capital return since IPO. [S5]
- 2026-02-05: Management reframes AI search as "next big opportunity"; Reddit Answers WAU 15m in Q4-25 (up from 1m). [S11]
- 2025-09-17: Reddit publicly seeks to repricing Google + OpenAI content deals toward usage-based "dynamic pricing." [S7]

What would change the view

Specific, falsifiable signals over the next 18 months. Both directions.

- *(+)* Data-licensing revenue moves from flat-fee to dynamic / usage-based with a disclosed >\$200m run-rate by EOY26 — the under-priced licensing optionality validates.
- *(+)* Advertising ARPU closes the gap to Meta meaningfully (e.g. >\$10 vs Meta ~\$50) — the ad-platform maturation thesis is real.
- *(+)* International DAU growth sustains >50% YoY through FY2026 — geographic compounding intact.
- *(-)* AI agents bypassing Reddit ads visibly attribute the slowing referral traffic in two

consecutive quarters — the AI-agent disintermediation bear case materialises.

- *(-)* Reddit moderator backlash forces material content / monetisation changes that compress ARPU — community-governance risk crystallises.
- *(-)* US ad-revenue growth falls below 15% YoY — the ad-platform thesis breaks.

6. Bull Case

1. Data-licensing is a call option priced near zero. ~\$140m "other" revenue at ~95% gross margin; dynamic-pricing renewal plus new Anthropic/xAI/Meta contracts could 3–5× this line by 2028 with no incremental capex (capital expenditure). 2. Ad-stack still in early innings. ARPU \$5.23 vs Meta ~\$50; performance/lower-funnel only live since late-2023; active advertisers +75% YoY in Q1-26 [S1][S10]; international ad revenue +78% YoY [S6]. 3. Operating leverage demonstrated. From -\$484m NI (FY2024) to +\$530m (FY2025) to 40% adj. EBITDA margin in Q1-26 [S1][S2]; \$684m FCF FY2025 funds the \$1bn buyback.

7. Bear Case

1. AI agents bypass the front door. AI Overviews caused publisher CTR drops of 47–58% [S9]; ChatGPT cites Reddit in only 0.35% of visible outputs despite heavy internal use [S9]. If LLMs serve Reddit's content without referring users back, ad-inventory growth stalls regardless of licensing revenue. 2. Mod backlash / governance fragility. Content is policed by unpaid moderators; the 2023 API revolt showed how thin the contract is. Aggressive commercialization risks a strike that degrades content quality — the only asset that matters. 3. Data-licensing structural ceiling. Foundation-model training is partly a one-off ingest event; marginal value of new posts may be lower than headline. If licensing reverts to flat-fee maintenance rather than dynamic per-query, "other revenue" plateaus and the asymmetric upside collapses to "good ads business at 30× FCF."

Additional risks: user-growth deceleration; concentrated Huffman/Newhouse voting control; competition from Discord and X.

8. Sources

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Appendix — methodology & sources

Generated by AutoLab (thesis mode) on 2026-05-30. The loop iteratively scouts the weakest point, researches it, red-teams it, and integrates the findings; . Headline confidence 0.00.