

Reddit (RDDT): Clicks and Dollars

Summary

Reddit is a fast-growing social media company whose stock moves mostly on three things: how many US users visit daily, how much revenue it earns from each of them, and how its relationship with Google and the AI industry evolves. At roughly \$156 (October 16 close), a market cap of about \$30B and a historically low 13x 2027E EBITDA, there is significant upside potential in the stock as they continue to execute in user growth and advertisement efficiency and get over their traffic problem through AI deals.

In all the things that matter, RDDT is doing well. US daily users have slowed down from their high double digit growth to mid single digit growth, but retention is the lever management controls: new app user retention rose 50% year over year on a relative basis in Q2, and the work on the feed, onboarding and web-to-app conversion is still early, which gives a credible path back to US user growth. International DAUq, however, is still incredibly strong, growing at around 20% and can still serve as a powerful growth tool even as US users stall.

Revenue per user is the core of the thesis and remains underappreciated, since it is compounding off a low base through Reddit Max automation, sharper targeting, shopping ads, video and ads in comments, with roughly 58% of each new dollar of revenue turning into profit. Reddit has been executing well in improving its ARPU and, given how much runway they have to catch competitors like TikTok or Meta, a lot of the company's future profit will come from this lever.

AI licensing is the optionality on top. Google cannibalization is real, but growth has outrun it so far, and renewals of the Google and OpenAI deals in 2027 should be a catalyst for the stock as the market gets more clarity on how the company will behave in an AI world.

What Reddit is and how it makes money

Reddit is an advertising business built on the internet's largest archive of human conversation, a network of interest-based communities where users post, comment and vote, now holding 26 billion posts and comments, with 1 billion added in Q2 2026 alone. People come with high-intent questions, such as which stroller to buy for two kids or what to watch next, and get answers from real people. That intent is the foundation of both the ad business and the AI data business.

In Q2 2026, Reddit averaged 130.3 million daily users (+18% year over year) and 514.6 million weekly users, of whom 53.2 million daily users were in the US. Advertising brought in \$762 million (+64%), about 95% of revenue, driven by both higher prices and more ads shown, while AI data licensing with Google and OpenAI added \$43 million.

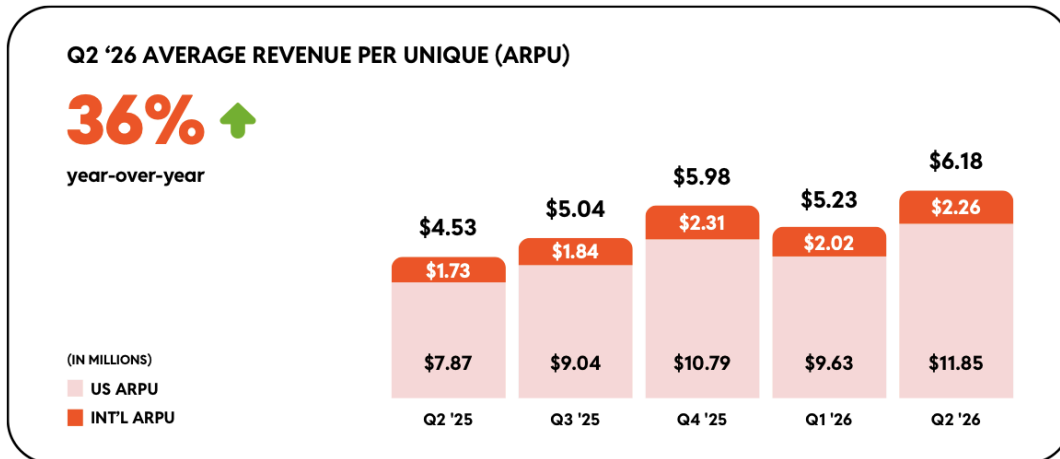
The money is concentrated in the US, where 41% of daily users generate roughly 79% of revenue, at about \$11.85 per user versus \$2.26 internationally. That gap is the core of the ARPU opportunity.

The business is also highly profitable and capital-light. Q2 revenue of \$805 million grew 61%, the eighth straight quarter above 60%, with a 43% adjusted EBITDA margin, near-zero capex and roughly 58% of incremental revenue turning into profit, which funds a \$1 billion buyback.

Stock price over the last 12 months

- **Fall 2025 (\$270 to \$190):** The stock slid from its peak as RBC flagged “challenging” small-business agency checks (-9.1%), Cleveland Research flagged slowing ad growth (-9.3%).
- **Oct 30, 2025 to Jan 2026 (up to ~\$259):** Shares jumped about 17% the day after Q3 FY25 revenue of \$585M beat estimates of about \$550M with strong Q4 guidance, a rally that carried the stock to a \$258.93 close in January.
- **Late Jan to spring 2026 (down to a \$121.84 closing low):** AI-search fears and a broad tech sell-off dragged the stock down, and even a strong Q4 FY25 (revenue \$726M, +70%, plus a \$1B buyback) left shares near \$148 after hours.
- **May 2026 (up, then down):** A Q1 beat (revenue \$663M, +69%) sent shares up 13% on May 1, but Google’s search overhaul at I/O (-5.5%), Meta’s new “Forum” app and insider selling pushed them back to \$141 by May.
- **June to mid-July (up to ~\$190):** Investors rewarded the AI-data story again, helped by a spam-detection update (+5.7%) and Wedbush naming Reddit a top mid-cap pick.
- **Jul 22 (down):** Shares fell about 6% premarket after the WSJ reported that Reddit might cut off Google’s AI access as their \$60M-a-year deal nears renewal.
- **Jul 30 to 31 (down to 140):** Despite beating on every line in Q2, shares fell about 21% the next session because search referrals were “choppy,” US daily users dipped from Q1 and no new licensing deal was announced.
- **Aug 13 to 18 (pop and fade):** News of S&P 500 inclusion and about 16.7M shares of expected index buying lifted the stock about 12% to roughly \$178, but it gave back 7% on Aug 17 before joining the index on Aug 18.
- **Sep to now (\$142 to \$160):** The stock has traded sideways as BNP Paribas started coverage at Hold (\$180) and DA Davidson cut its target to \$185 on Sep 18, while Needham reiterated Buy with a \$300 target on Oct 9 citing strong Q3 traffic data .

ARPU: the core of the thesis



ARPU was \$6.18, up 36% year-over-year

ARPU is the core of the Reddit story. In Q2 2026, Reddit earned \$6.18 per daily user globally, up 36% year over year, with about \$11.85 per user in the US and \$2.26 internationally. That growth came from both higher ad prices and more ads shown, so Reddit is getting more out of each user rather than just adding users. Even so, Reddit is still early in turning its users' high-intent attention into returns advertisers can measure. US ARPU remains a fraction of Meta's on a comparable basis. That gap is the runway for the thesis, but it also shows how far Reddit's ad tools still lag the leaders, which is why execution on automation, targeting and measurement matters so much from here.

Evidence monetization is getting better

Advertising & monetization

Real conversations are driving the new consumer decision journey

- **Real conversations** on Reddit are shaping how consumers discover, evaluate, and buy products
- In Q2, we introduced **AI- and Reddit Community Intelligence-powered tools** to improve the advertiser experience:
 - **Tailored Creative Assets:** Identifies high-potential Reddit communities and generates tailored creatives
 - **Free-form Ad Generator:** Enables advertisers to append text, GIFs, and videos to ad placements
- In Q2, we launched **Shopping Listing Ads (alpha)**, our first **multi-advertiser ad format** that matches products to relevant conversations, helping shoppers discover & compare products in context
- We also expanded our **Shopify Integration** to general availability, enabling Shopify merchants to start running Reddit Shopping Ad campaigns within minutes



ML-driven performance across the ad stack

We're investing in machine learning ("ML") across our ads platform to drive performance and deliver more outcomes for advertisers

- **Upper funnel:** Enhanced models increased six-second Engaged Video View-through and completion rates by 130% and 71%, respectively
- **Middle funnel:** Better models are leading to improvements in CTR and delivering more valuable clicks. Click through rates are up over 40% year-over-year
- **Lower funnel:** ML investments and optimizations are driving significant performance gains in our App Install campaigns

Lower funnel updates

Reddit Max campaigns Growing adoption, driving revenue	60%+ advertiser growth vs. Q1
	150%+ revenue growth vs. Q1
App Event Optimization Made generally available	22% lower Cost Per Action
	100%+ growth in app install volume

Reddit's impact

Case study: Wise



Wise launched an **App Event Optimization** campaign via **Reddit Max campaigns** to streamline creative generation and Call to Action combinations that would deliver against its most valuable KPIs

"The intuitive setup and automated features of **Reddit's Max campaigns** have really simplified how we manage the platform. We can now focus on broader strategy rather than daily manual tweaks to creative and copy. We're excited to move Max into our permanent US strategy and start testing its impact in other regions."

8%
Lower cost per install

7%
More app sign up events

Third party validation of Reddit's impact

Reddit delivers strong performance and high LTV customers for its advertisers, as validated by third-party research

Over 2x
incremental ROAS from performance outcomes for retail advertisers^c

7x avg. ROAS
for retail advertisers in EMEA^d

Reddit shoppers generate higher post acquisition value across CPG categories^e

The clearest sign that Reddit's monetization is improving is what happens after a user clicks an ad. In Q2 2026, conversions such as purchases, sign-ups and installs more than doubled year over year, while clicks grew only about 30%. Each click is now worth much more to the advertiser, and that is what lets Reddit keep raising prices without losing demand. Click-through rates also rose more than 40%, so users are engaging with the ads more as well. AI shopping assistants don't seem to change this: about 50% of US shoppers check AI recommendations on Reddit before buying, so the moment right before a purchase still happens on Reddit, which is exactly where its ads sit.

Demand is broadening at the same time. Active advertisers grew more than 70%, and revenue from the scaled channel, which serves small and mid-sized businesses, doubled. More advertisers bidding for the same ad slots is the mechanism that pushes pricing up, and it makes Reddit less dependent on a few large brands. This mechanism is what will drive ARPU growth at scale through higher price per ad without enraging customers by filling their screen with ads.

Newer ad formats are adding to this. Revenue from Dynamic Product Ads and app-install ads each more than doubled, the Shopify integration is now available to all merchants, and video ad revenue also more than doubled, giving Reddit a foothold in brand budgets beyond performance advertising.

Levers still to pull

Reddit has several clear levers left to raise ARPU, and the biggest one is targeting. Advertisers can only now target subreddits and the communities a user follows, and Reddit is starting to use its Community Intelligence data, where high-intent shopping conversations grew 40% year over year. Channel checks suggest the system is still crude, though. For example, Reddit can't yet show you ads for your basketball team's jerseys or merchandise even if that team's badge sits next to your username or you're active in its subreddit. Few platforms know precisely what their users care about, and Reddit is barely using that knowledge. Closing this gap would lift conversion rates, and higher conversion rates are what let Reddit charge more per ad.

Automation is the second lever. Reddit Max, the company's answer to Google's Performance Max and Meta's Advantage+, entered beta in January 2026 and opened to all advertisers in September. The number of advertisers using Max grew 60% from the prior quarter and Max revenue grew 150%, while split tests on app campaigns showed 15% lower cost per acquisition and 28% more results. Google's and Meta's versions took years to mature, so Reddit is early on the same curve.

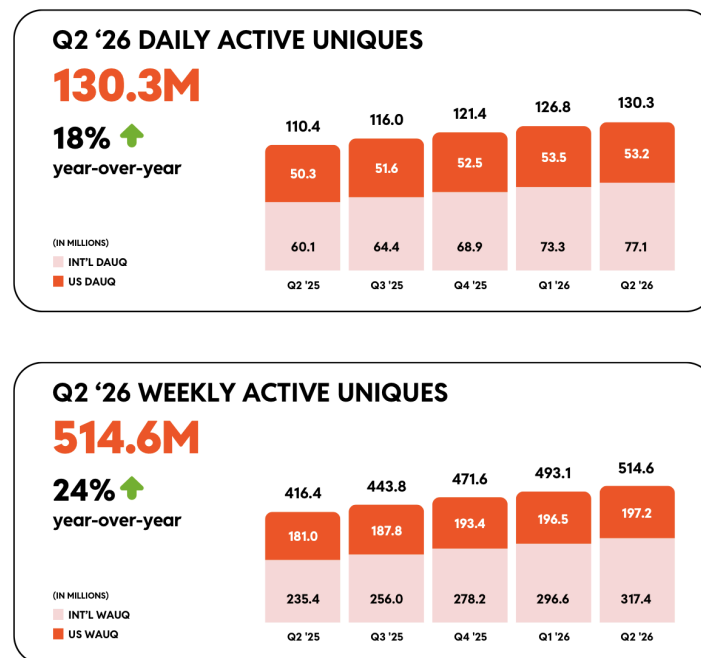
Measurement ties the two together. Max can only optimize toward conversions it can see, so wider adoption of tracking tools such as the pixel and the Conversions API improves results directly. In Q2, management also introduced dual attribution in beta and cited third-party studies showing strong return on ad spend. When advertisers can clearly see what their Reddit spend earns them, they spend more.

Reddit is also adding new places to show ads without cluttering the feed: ads in comments, video in comments, possibly ads in search results (its highest-intent placement) and shopping listing ads, which it is testing now. International ARPU of \$2.26, against \$11.85 in the US, leaves room for growth abroad. With incremental margins around 58%, most of each ARPU gain turns into profit.

Risks to ARPU

Reddit's Q3 guidance of \$860 to \$870M implies 47 to 49% growth, down from 61% in Q2. Slowing growth is normal for any business as it gets bigger, but the ARPU levers above should make the slowdown gradual rather than a sudden drop, allowing ARPU to still grow substantially in the next few quarters/years.

DAUq: users, retention and the US question



US daily users are the metric the stock trades on, and they are where the story is weakest. US DAUq slipped to 53.2 million in Q2 from 53.5 million in Q1, even as global users grew 18% to 130.3 million and international users grew 28% to 77.1 million.

The quality of the growth is the bigger concern. Most new users are logged out, and logged-out users grew 27% while logged-in users grew just 7%. Daily users as a share of weekly users also slipped from 27% to 26%, so Reddit's reach is growing faster than the daily habit, which is fine if daily user growth is still strong but it's obviously not ideal. Retention is management's main tool to further improve this.

The retention prize

Reddit has about 200 million weekly users in the US but only about 53 million daily users, so most Americans who use Reddit treat it as an occasional destination rather than a habit. Management's stated goal is 100 million US daily users, and the path there runs through retention: turning people who visit once a week into people who come back every day.

Early results are encouraging. New app user retention rose 50% year over year on a relative basis in Q2, and management called it the main driver of moving weekly users to daily. The caveat is that Reddit only reports the change, never the level. The work behind it is a more relevant feed through better retrieval, ranking and personalization, plus simpler onboarding, a faster app and better search, which management calls "a great driver of retention."

What makes the story compelling is how much room is left. Huffman admitted the feed is "behind the state-of-the-art," running smaller models that update slowly and draw on only about a week of content. The retention gains so far came from a product that is still catching up, so there is more to come as the feed improves.

Retention also unlocks growth spending. The CFO said weak retention is what holds back marketing spend, because acquiring users who leave quickly doesn't pay. As retention improves, paid acquisition starts to make sense, which brings in more daily users who in turn generate more revenue. Retained users help both pillars of the thesis: they log in, so Reddit learns their interests and ads convert better, raising ARPU, and they come back daily, raising DAUq.

Reddit is also adding smaller drivers. In Q2 it launched prompts nudging engaged mobile web users toward the app and its first desktop login prompt, both of which lifted signups. Later this year it will test "spoken Reddit," letting users listen to threads like a podcast, while AI-assisted moderation is cutting wrongful removals of new users' first posts, a common reason newcomers leave. Video in comments could add time spent, and posts and comments per logged-in user rose in Q2, so the core community is becoming more active.

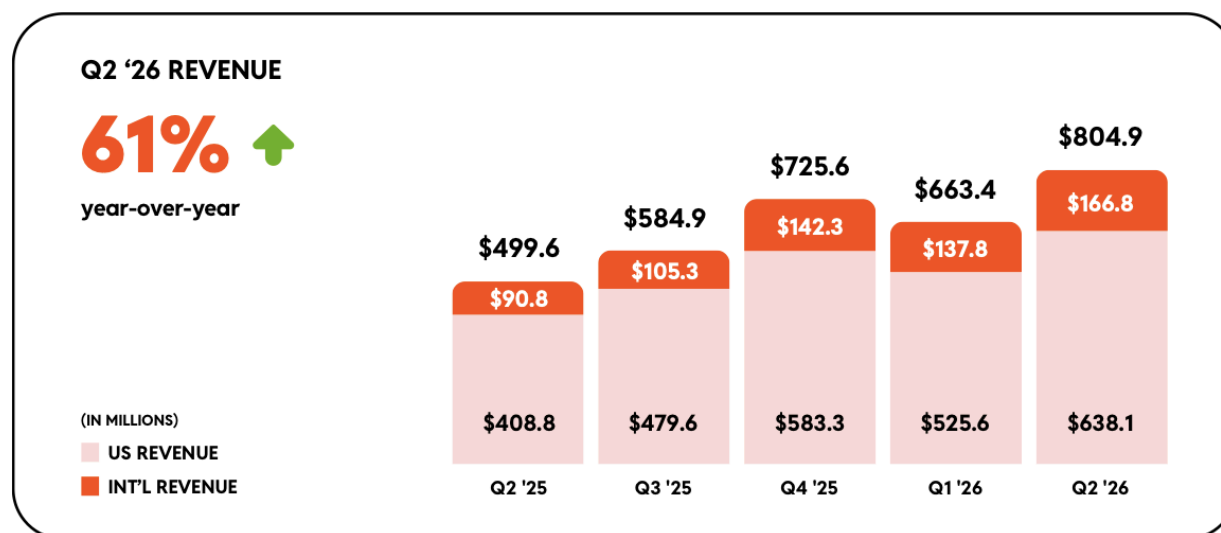
Direct access vs search dependence

Not all of Reddit's traffic is worth the same. Google sends an estimated 40 to 50% of visits, mostly logged-out users who read one thread and leave. The users who matter are the ones who come directly, by opening the app or typing in the URL. CEO Huffman said direct app users are worth "multiples more" than search visitors and that Reddit is "not building for drive-by traffic."

For now, the mix is moving the wrong way, with logged-out and web traffic growing faster than logged-in and app users. Direct use is still improving, just slowly. Logged-in users, the best available stand-in for direct users, grew 7% year over year globally but only 1% in the US. There are early signs of progress coming from web/app improvements, such as prompts nudging mobile web users to the app increased app daily users and downloads, a new desktop login prompt lifted signups, new app user retention rose 50% on a relative basis, and logged-in users are posting and commenting more.

Starting in Q3, Reddit will stop reporting the logged-in versus logged-out split, and companies rarely drop a metric that flatters them. The key thing to watch is whether management replaces it with an app or retention metric.

International



Total revenue was \$804.9 million, up 61% year-over-year

International daily users are Reddit's fastest-growing audience and the clearest source of user growth in the business. In Q2 2026, Reddit averaged 77 million daily users outside the US, up 28% year over year, compared with 6% growth in the US. Weekly users abroad grew even faster, up 35% to 317 million. International users already outnumber US users by roughly three to two, and that gap keeps widening. The international user base numbers isn't what moves the stock in the near term, but it is what lets Reddit's revenue keep compounding even as US growth slows.

In the US, where user growth is slow, revenue growth has to come mostly from earning more per user. Abroad, it comes mostly from adding users, with ARPU gains on top. International revenue grew 84% in Q2 and now makes up about 21% of total revenue.

Beyond user and ARPU growth, international user expansion allows Reddit's value that comes from its communities to expand. Every new user adds posts, comments and answers that make those communities more useful to the next person who arrives, so as non-English communities get bigger and more active, they hold on to users better and depend less on translated English content. Over time, that network effect should turn search visitors into habitual users, and only about 24% of international weekly users visit daily today, so there is plenty of room to convert that into high value and higher ARPU users later. About 62% of international daily users are still logged out, compared with 57% in the US, which makes the same retention and login work underway in the US even more valuable abroad.

With all that said, ARPU is improving too, just from a lower base. International ARPU rose 31% to \$2.26 per quarter, still pretty fast growth but slower than US ARPU. ARPU has less room to grow abroad than in the US, but the same levers apply: Reddit Max, better targeting and everything else from the ARPU section should push that number higher. When considering that this also work on a user base that keeps growing, international revenue can sustainably boost RDDT's numbers in the near future.

Advertisers there are already seeing results abroad, with a TransUnion study named Reddit the "most efficient paid social channel in EMEA for retail advertisers," and the Q2 letter cites 7x average return on ad spend for retail advertisers in EMEA. Results like these bring in more advertisers and push up prices.

Risks to DAUq

The biggest risk to Reddit's user growth is its dependence on Google. Search referrals were "choppy" in Q2 and got more volatile late in the quarter, and this has happened before: past Google algorithm changes cut Reddit's visibility in search results. The longer-term threat is AI Overviews, the summaries at the top of Google that answer a question without the user clicking through. Even when the answer comes from a Reddit thread, Reddit may never get the visit.

US daily users dipped from 53.5 million in Q1 to 53.2 million in Q2 as search referrals turned and the market largely blamed AI-driven changes to Google search. This was the most impactful number released last quarter and the one that sent the stock down 20% even with a beat and raise.

Furthermore, Reddit is the most cited source in AI answers, and its content trains and grounds models like Google's Gemini and OpenAI's ChatGPT. The more useful those answers become, the less reason people have to click on a Reddit post. Google's AI Overviews, for example, summarize a Reddit thread at the top of the search page, so the user gets the answer without ever visiting Reddit. I'll discuss this further in the next section.

The risk isn't limited to the US. Much of Reddit's international growth came from machine-translated threads ranking in local Google results, and Huffman said that translated content lost traffic in Q2, which added to the volatility abroad.

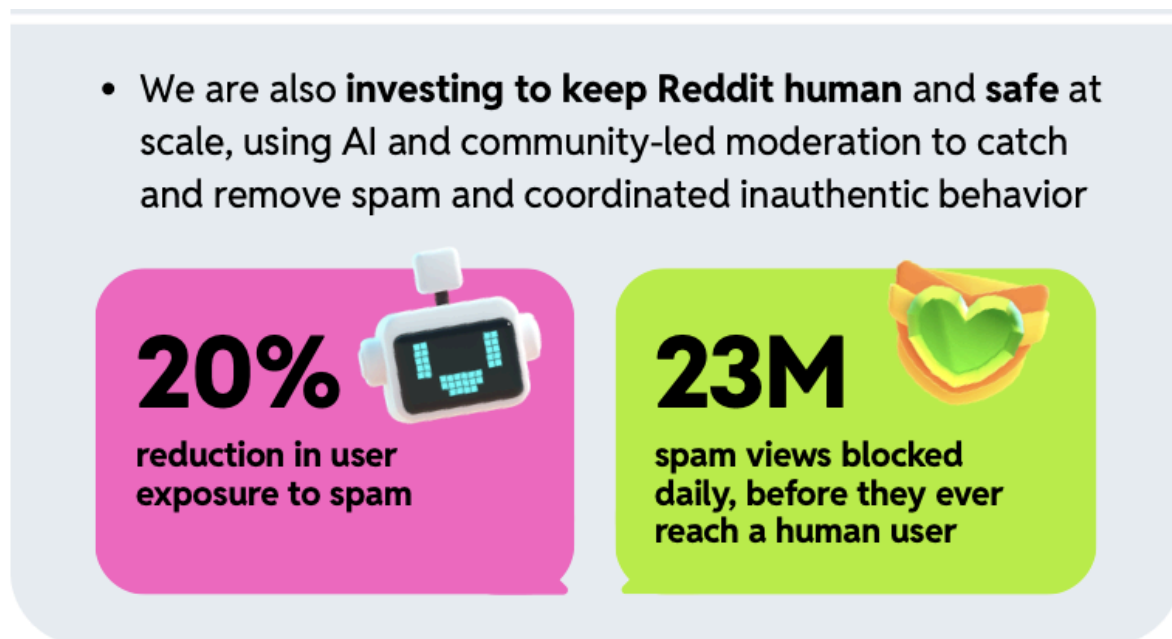
Semrush data, however, showed Reddit's organic search traffic near an all-time high around October 1, partly as translated pages regained visibility. Still, Google can change course at any time, which is why turning search visitors into direct, logged-in users matters so much for the thesis.

AI: data value, licensing and the Google question

Data licensing makes up only about 5% of revenue today, but the Google and OpenAI deals come up for renewal in 2027, and those talks will decide whether Reddit's data gets priced as a strategic asset.

The asset is hard to copy. Reddit holds more than 26 billion posts and comments of real human conversation, growing by about 1 billion a quarter, organized by topic and ranked by user votes. That structure makes it useful both for training AI models and for grounding their real-time answers, because the votes already show which answers people found most helpful. Reddit is the most cited source in AI answers across platforms, according to Profound, as Huffman noted on the Q4 FY25 call.

The asset also gets more valuable over time. As the web fills with AI-generated content, real human conversation becomes scarcer, which strengthens Reddit's pricing power with AI labs and its pitch to users who want real opinions rather than AI slop. Reddit is investing to keep it that way, using AI and community-led moderation to remove spam and coordinated fake activity. Users now see 20% less spam, and Reddit blocks 23 million spam views a day before they reach a person. Cleaner content makes Reddit more useful to its users and makes its data more valuable to the AI labs that license it.



Licensing deals today

Reddit's licensing business rests on two deals: about \$60 million a year from Google, signed in February 2024, and about \$70 million a year from OpenAI, with both reportedly expiring in 2027. Other revenue, which is mostly licensing, reached \$43 million in Q2, up 24% year over year.

That makes the 2027 renewals the key test of what Reddit's data is worth. Baird believes the stock already prices in a low-end renewal, with its base and bull cases adding roughly \$10 and \$20 per share. Any renewal at better terms, or a new licensing customer, would be upside the market isn't paying for today.

Upside paths

The main upside is a better-priced renewal. AI models need a steady flow of fresh conversation, not just a one-time copy of the archive, so Google and OpenAI could move to usage-based deals that pay Reddit more as their AI products use more of its data. Huffman also said there are potential buyers beyond Google and OpenAI, such as other AI labs, enterprises and researchers.

The current stock price assumes renewals at roughly today's terms, or a low-end outcome. What it does assume is that Reddit's traffic holds up. Licensing is only about 5% of revenue, so the deal itself matters less than what it means for users. If the talks end with Reddit protecting its search visibility and getting links back to its threads, the core ad business stays intact. Any higher fees would then be upside on top.

Risks

The bigger risk in the licensing talks isn't the revenue line. Non-renewal or lower usage-based fees would shrink licensing revenue, but at about 5% of revenue, that would hurt the "AI data company" story more than the earnings.

The real danger is a bad deal that lets AI companies keep using Reddit's data cheaply while their answers replace the visit to Reddit. Even a good deal doesn't fully solve this, since AI answers keep users on Google and inside chatbots. A weak deal would mean Reddit gets paid little for content that pulls users away from its own site.

US daily users dipped from 53.5 million in Q1 to 53.2 million in Q2 as search referrals turned "choppy," and the market largely blamed AI-driven changes to Google search. Since the thesis depends on growing US users, the terms of the 2027 renewals matter as much for traffic as for licensing revenue.

Valuation

The model builds Reddit's revenue as daily users times revenue per user, separately for the US and international markets, with a quarterly build through 2027 and annual forecasts to 2030. On users, I assume US daily users grow 6.5% in 2026 and 5% a year after that, in line with the retention story, while international users grow 28% in 2026 and slow gradually to 11% by 2030.

On ARPU, US revenue per user grows 39% in 2026 and 31% in 2027, then slows to 18% by 2030, roughly the path Facebook followed from a similar starting point. International ARPU grows more slowly, from 27% in 2026 to 11% by 2030, so international revenue growth comes mostly from adding users.

AI licensing has its own growth line, which grows 26% in 2026 and 24% in 2027 before slowing to 16% by 2030. That assumes Reddit signs good renewals with Google and OpenAI. Margins are held near today's levels: gross margin at about 91% and adjusted EBITDA margin rising from 45% to 47%, with stock-based compensation treated as a real cost.

The DCF discounts free cash flow at 10% with 3% terminal growth, giving about \$209 per share, 34% above \$155. The terminal value assumes a 7% gap between the discount rate and growth, which means valuing 2030 free cash flow at about 14.7x (1.03 / 0.07). That is a conservative multiple for a business still growing over 20% in 2030, and the terminal value is about 75% of the total.

Input	2026	2027	2028	2029	2030
DAUq US YoY growth	6.5%	5.0%	5.0%	5.0%	5.0%
DAUq Intl YoY growth	28.3%	22.0%	17.0%	14.0%	11.0%
ARPU US YoY growth	39.0%	31.0%	24.0%	21.0%	18.0%
ARPU Intl YoY growth	27.0%	21.0%	17.0%	14.0%	11.0%
Gross margin	91.4%	91.4%	91.4%	91.4%	91.4%
Adj. EBITDA margin	45.1%	46.5%	47.0%	47.0%	47.0%
Memo: implied advertising % of total revenue (output, no longer an input)	95.0%	95.5%	95.9%	96.2%	96.4%
Other revenue (non-ad) YoY growth	26.0%	24.0%	21.0%	18.0%	16.0%
Valuation inputs					
Current share price (\$)	\$155.00				
Diluted shares today (m)	207.0				
Net cash (\$m)	\$2,786.4				
Discount rate (WACC)	10.0%				
Terminal growth	3.0%				
Net share dilution per year (diluted shares growth)	0.5%	0.5%	0.5%	0.5%	0.5%

Period Fiscal year Actual / Estimate	FY2025 2025 A	FY2026 2026 A+E	FY2027 2027 E	FY2028 2028 E	FY2029 2029 E	FY2030 2030 E
Users and monetization						
DAUq US (m)	51.1	54.4	57.1	60.0	63.0	66.1
DAUq International (m)	62.9	80.4	98.0	114.7	130.8	145.1
ARPU US, advertising only (\$)	\$31.92	\$46.47	\$60.87	\$75.48	\$91.33	\$107.77
ARPU International, advertising only (\$)	\$6.85	\$9.11	\$11.03	\$12.90	\$14.71	\$16.32
Ad revenue US = DAUq US x ARPU US	\$1,632.1	\$2,527.5	\$3,476.6	\$4,526.5	\$5,750.9	\$7,125.3
Ad revenue Intl = DAUq Intl x ARPU Intl	\$430.4	\$732.2	\$1,080.8	\$1,479.5	\$1,922.8	\$2,369.1
Other revenue (AI data licensing etc.) (reported; forecast = same quarter prior yr)	\$140.0	\$172.1	\$213.3	\$258.1	\$304.6	\$353.4
Total revenue = Ad US + Ad Intl + Other (reported in actual quarters)	\$2,202.5	\$3,431.7	\$4,770.7	\$6,264.2	\$7,978.3	\$9,847.8
Revenue YoY	69.4%	55.8%	39.0%	31.3%	27.4%	23.4%
Gross profit to EBITDA						
Gross profit	\$2,008.3	\$3,135.9	\$4,360.4	\$5,725.4	\$7,292.2	\$9,000.9
Gross margin	91.2%	91.4%	91.4%	91.4%	91.4%	91.4%
Adjusted EBITDA	\$845.1	\$1,494.1	\$2,218.4	\$2,944.2	\$3,749.8	\$4,628.5
Adj. EBITDA margin	38.4%	43.5%	46.5%	47.0%	47.0%	47.0%

Adjusted EBITDA	\$845.1	\$1,494.1	\$2,218.4	\$2,944.2	\$3,749.8	\$4,628.5
Adj. EBITDA margin	38.4%	43.5%	46.5%	47.0%	47.0%	47.0%
EBITDA to free cash flow						
Less: payroll taxes on SBC (cash)	(\$44.0)	(\$38.4)	(\$53.4)	(\$70.2)	(\$89.4)	(\$110.3)
Memo: D&A	\$15.9	\$19.9	\$27.7	\$36.3	\$46.3	\$57.1
Memo: SBC expense (non-cash)	\$343.2	\$395.7	\$429.4	\$438.5	\$558.5	\$689.3
Memo: EBIT = Adj. EBITDA - SBC & taxes - D&A				\$2,399.2	\$3,055.7	\$3,771.7
Less: cash taxes		(\$7.8)	(\$358.7)	(\$503.8)	(\$641.7)	(\$792.1)
Memo: net working capital (end of quarter)		\$575.3	\$801.2	\$1,052.0	\$1,339.9	\$1,653.9
Less: increase in net working capital		(\$150.0)	(\$225.9)	(\$250.8)	(\$287.9)	(\$314.0)
Less: capex	(\$6.7)	(\$5.2)	(\$7.2)	(\$9.4)	(\$12.0)	(\$14.8)
Free cash flow	\$684.2	\$1,274.5	\$1,573.2	\$2,110.0	\$2,718.9	\$3,397.4
Diluted shares (m)						
Beginning diluted shares				208.6	209.6	210.6
+ Net shares issued (SBC issuance net of buybacks) = beginning x net dilution		0.5	1.0	1.0	1.0	1.1
Memo: gross shares repurchased (buyback \$ / share price), not in roll-forward		(1.6)	(3.3)	(0.8)	(0.8)	(0.8)
Buybacks (\$m)		\$493.0	\$506.8	\$126.7	\$126.7	\$126.7
Ending diluted shares = beginning + net issued (actuals = reported FDSO)	206.1	207.5	208.6	209.6	210.6	211.7

PV of Q3'26 to Q4'27 FCF	\$2,091.4
PV of FY2028 to FY2030 FCF	\$5,822.8
FY2030 FCF '	\$3,397.4
Terminal value at Dec 31 2030 = FY30 FCF x (1+g) / (WACC - g)	\$49,989.8
PV of terminal value	\$32,554.8
Plus: net cash	\$2,786.4
Equity value	\$43,255.3
Diluted shares today (m) (dilution already captured: FCF deducts SBC)	207.0
Value per share	\$208.96
Upside / (downside) vs current price	34.8%
Terminal value as % of equity value	75.3%
Implied exit multiple: terminal value / FY2030 FCF after SBC	14.7x
FY2030 revenue growth (check vs terminal growth)	23.4%

Value per share	\$208.96
Upside / (downside) vs current price	34.8%

A simpler check, 20x 2027 adjusted EBITDA, gives about \$214 per share, close to the DCF. Reddit typically trades at 20x EBITDA and now its trading at a significant discount compared to its historical averages, leading me to believe that the AI and Google Traffic narratives are scaring away investors and allowing for an opportunity to buy the stock for very cheap given all the growth they'll experience in the next few years. This belief that the multiple is compressed still holds even when comparing with other stocks in the social media and tech space, as seen by the relative valuation multiple between RDDT



Cross-check: EBITDA multiple			
			\$2,218.4
EV / FY2027 Adj. EBITDA multiple (x)			20.0x
	Implied EV		\$44,367.7
	Implied value per share	\$	214.34
			38.28%