



**BW
FINANCIAL
SERVICES**

IPO



REDDIT IPO

+353 (0) 166 214 09

www.bwfinservices.com



So, Who are Reddit?

Reddit was founded by University of Virginia roommates Steve Huffman, Alexis Ohanian, and Aaron Swartz in 2005.

Condé Nast Publications acquired the site in October 2006.

In October 2014, Reddit then raised \$50mn in a funding round led by Sam Altman and included investors Marc Andreessen, Peter Thiel, Ron Conway, Snoop Dogg, and Jared Leto. Their investment valued the company at \$500mn at the time.

In July 2017, Reddit raised another \$200mn for a \$1.8bn valuation, with Advance Publications remaining the majority stakeholder.

In August 2021, a \$700mn funding round led by Fidelity Investments raised that valuation to over \$10bn. The company then reportedly filed for an IPO in December 2021 with a valuation of \$15bn.

As of October 2023, Reddit is the 18th most-visited website in the world. According to data provided by Similarweb.

What Does Reddit Do?

Reddit is an online discussion board and community. Despite not being as popular as other social media firms such as Facebook, Instagram and Twitter, Reddit has made its name with niche discussion groups.

Reddit currently has more than 100,000 communities, with over 53 million active daily users sharing their thoughts and ideas on a range of topics. Reddit is currently the sixth-most-popular social networking site.



How much is Reddit worth?

Reddit was valued at \$10bn in a private fundraising round in August 2021. When it first decided to list, it was aiming for a valuation of more than \$15bn but whether that will hold or not is another matter. A lot of IPO valuations have dropped significantly over the last two years given market conditions, so it's likely Reddit's valuation will be revised prior to listing.

Despite these lofty numbers, there has been meetings with potential institutional investors pre IPO and it looks like the firm are now chasing an IPO valuation closer to \$5bn, which will make for a more appealing entry point for investors.

How does Reddit make money?

Reddit makes its money through advertising on its site. It reported that in Q2 2021, it made \$100mn in ad revenue – three times the amount it made in Q2 2020.

There is also a premium membership for users who don't want ads on their feeds, This gives an ad-free experience as well as full access to the r/lounge, 700 free monthly coins, and other benefits. The membership costs \$5.99 per month or \$49.99 per year.

Reddit also generates money through Reddit Coins, which are virtual goods that Reddit users can purchase in bundles and gift to other Reddit users to reward them for their contributions and good content. Coin bundles cost between \$1.99 to \$199.99.

What is Reddit's business strategy?

Reddit's business strategy thus far is a pretty odd one, given that the firm sacrifices the opportunity to make money in order to keep its users happy. As we've seen, advertising space sales are the company's primary revenue stream. However, Reddit does not require email addresses and does not track personal information, losing out on the opportunity to increase advertising through data exploitation, in order to keep its users anonymous... for now.

This is where one of the biggest challenges Reddit could face comes in: regulation. Due to the anonymity of users, there's always the possibility of malpractice and manipulation, such as bots or even hedge funds driving users toward certain stocks. Reddit does already have moderators in place, but once it's a public firm the level of scrutiny it'll face will likely increase. Any thread to the anonymity of users could cause an exodus from the platform.

Reddit has now begun to invest heavily in the advertising area before it goes public, so this could drive profitability.

The company also just hired its first ever chief financial officer, Drew Vollerio (previous CFO for SNAP) in what many see as preparation for its IPO.



Who currently owns Reddit?

Reddit is owned by Condé Nast Publications, a global media company, who bought the company from founders Huffman and Ohanian one year after it was created for \$10 to \$20 million.

Current investors in Reddit also include Fidelity Investments, Andreessen Horowitz, Sequoia Capital and Tencent Holdings.

Board of directors of Reddit

Reddit's board of directors includes:

- Paula Price
- Michael Seibel
- Porter Gale
- Sam Altman
- Bob Sauerberg

About BW Financial Services

We are the leading broker in Ireland. With our smart and user-friendly platform, anyone can become an investor. Contact us and find out why Ireland is a top choice worldwide for investors.

[Call us on +353 \(0\) 166 214 09](tel:+353016621409)

Disclaimer

We have provided this information for your general guidance only and it should not be considered as investment advice. BW Financial Services will not be liable for any loss or damage caused by a reader's reliance on information provided by us. BW Financial Services is Authorised and Regulated by the Central Bank of Ireland Reference No:C430297