Reddit IPO vs WallStreetBets: Quick Facts March 21th & My Price Target

By winkler · March 19, 2024

If you're looking to buy, sell (if you got those community shares) or short Reddit at it's IPO, this video is for you.

First, mark the date:

Thursday, March 21, it will IPO on the New York Stock Exchange under the ticker symbol RDDT, typically IPO's launch around 10 AM EST

Here's what we'll discuss:

1. Reddit's own WallStreetBets doesn't like the IPO and what's to short it, but why?

- 15m users voted to short it
- lack of profitability and competitive issues
- volunteer mods early buy program, big employee stock sales, AI ambitions..
    - listed as a risk factor, on S-1, as there is no holding period
- 8% of the float is going to "redditers"
    - not locked up, so they can sell right away
    - similar to Robinhood allowing the same to it's retail buyers

2. Finding from the IPO filing Form = SEC Form S-1

- Is the initial registration form for new securities required by the SEC for public companies that are based in the U.S
- ARPU 3.42, very low compared to comps
    - $3.42 vs $40+ FB, $24 TWTR and $22 IG and $14 Linkedin
        - NOTES: 98% media ads rev
- Wants to raise $748 mill in IPO through sale of 22m shares
- Currently, Reddit IPO sees 4-5x oversubscription
    - eyes $6.5 billion valuation
- 73m daily active user, online communities called sub-Reddits
- 20% rev growth 2024 (this is very strong) typically closer to 5% YoY

- Main Rev 98% through advertising and now also AI training data sets
- Additional Info:
  - Reddit cashes in on AI gold rush with $203M in LLM

3. 2023 Big IPO's and how they are doing

- ARM, KYVO, BIRK, CART
  - 2 below 2 above IPO price
  - All dipped below IPO price; for at least several weeks
- Slow IPO market currently, but it is heating up

4. What the all-in Podcast thinks about the IPO

E168: Can Google save itself? Abolish HR, AI takes over Customer Support, Reddit IPO teardown (All-in Podcast main points)

- Business flatlined, 5% growth YoY, last 2 quarters saw a bigger boom, worried valuation is at this "random" boom level. And they don't know why. If that stops could be bad, Reddit needs a good answer for that.
  - 2023 rev $804m up 21% YoY
  - 2023 -$91 min profit, So NET it's losing money.. bad for this macro env..
    - Free cashflows neg
- DAUg, 76m up 27% Y0Y
- Weekly active unique (“WAUq”) metric and daily active unique (“DAUq”)
- ARPUissue
- 5-7x multiple puts them at this $6.5b rev

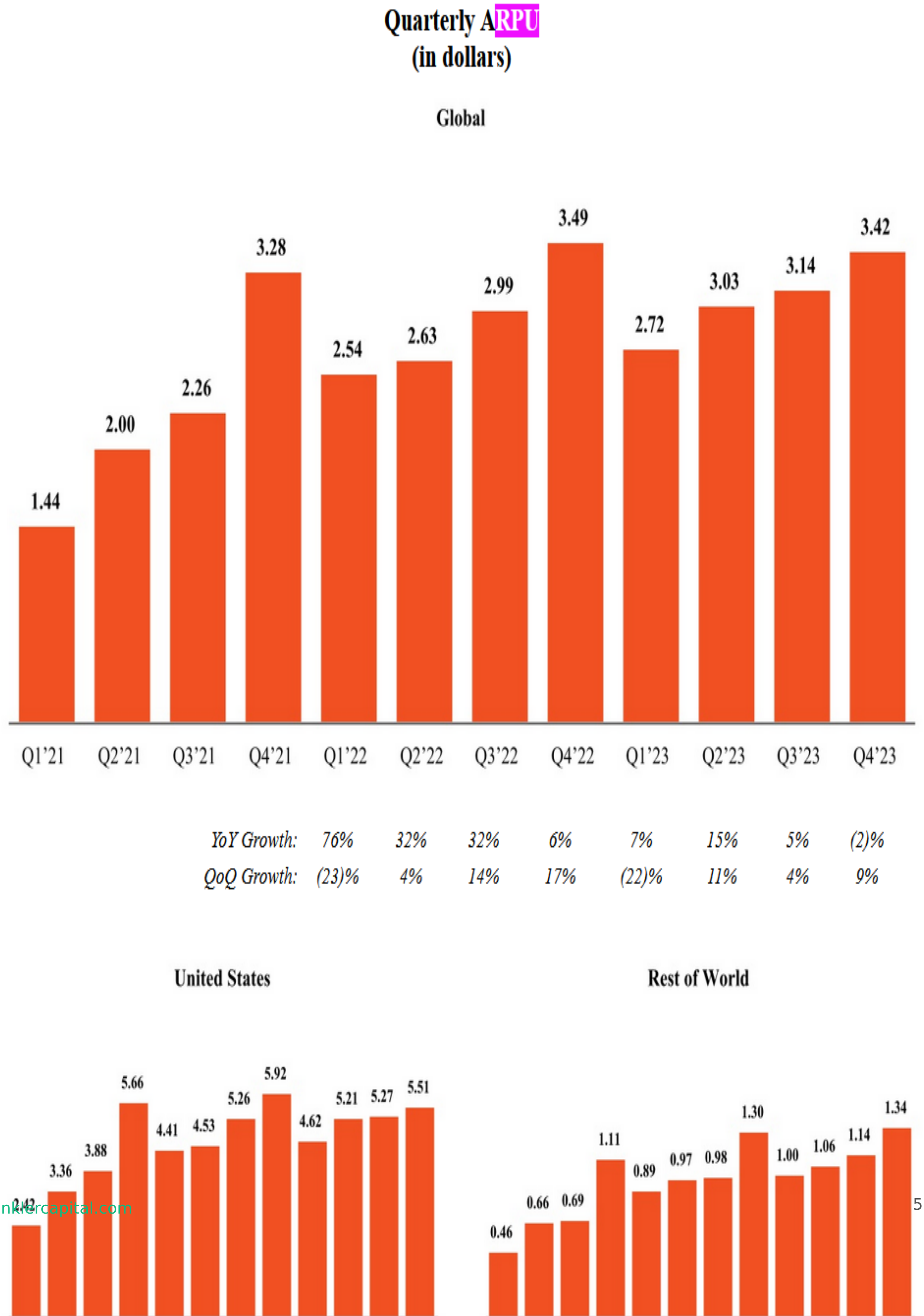
5. My unprofessional price target

- Aug 2021 $10B round; $700 million in a fundraising round led by Fidelity Management
- https://docs.google.com/spreadsheets/d/16BYvn7tB_TocMKds0wdqEY2_5kkRkKEVJ80Ql7Qd_PE/edit#gid=269691204
- In reality no idea, it's oversubscribed and if I wanted to invest tn the IPO I probably would start a DCA initiative under $30, especially lower-end $20's
- If we see $40 and I was long I'd be selling

- 0:00 Reddit's IPO RDDT$158.02-1.68%
- 2:30 Reddit's WallStreetBets Bearish on IPO
- 5:40 Reddit's IPO Filing = SEC Form S-1
- 11:15 Big 2023 IPO's & How They're Doing
- 13:50 All-in Podcast vs Reddit IPO

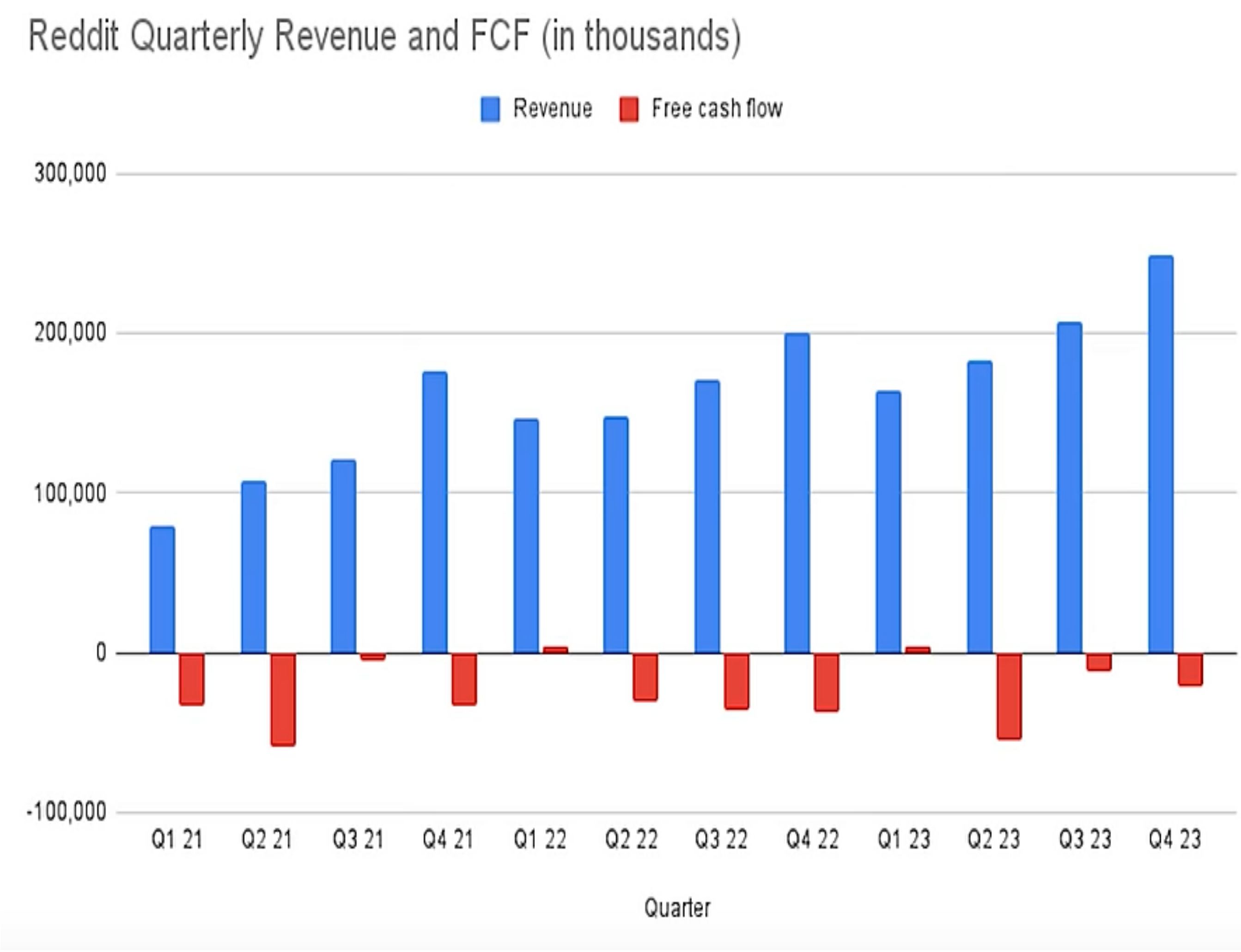
- 15:10 My RDDT$158.02-1.68% Price Target

#IPO #Reddit #WallStreetBets

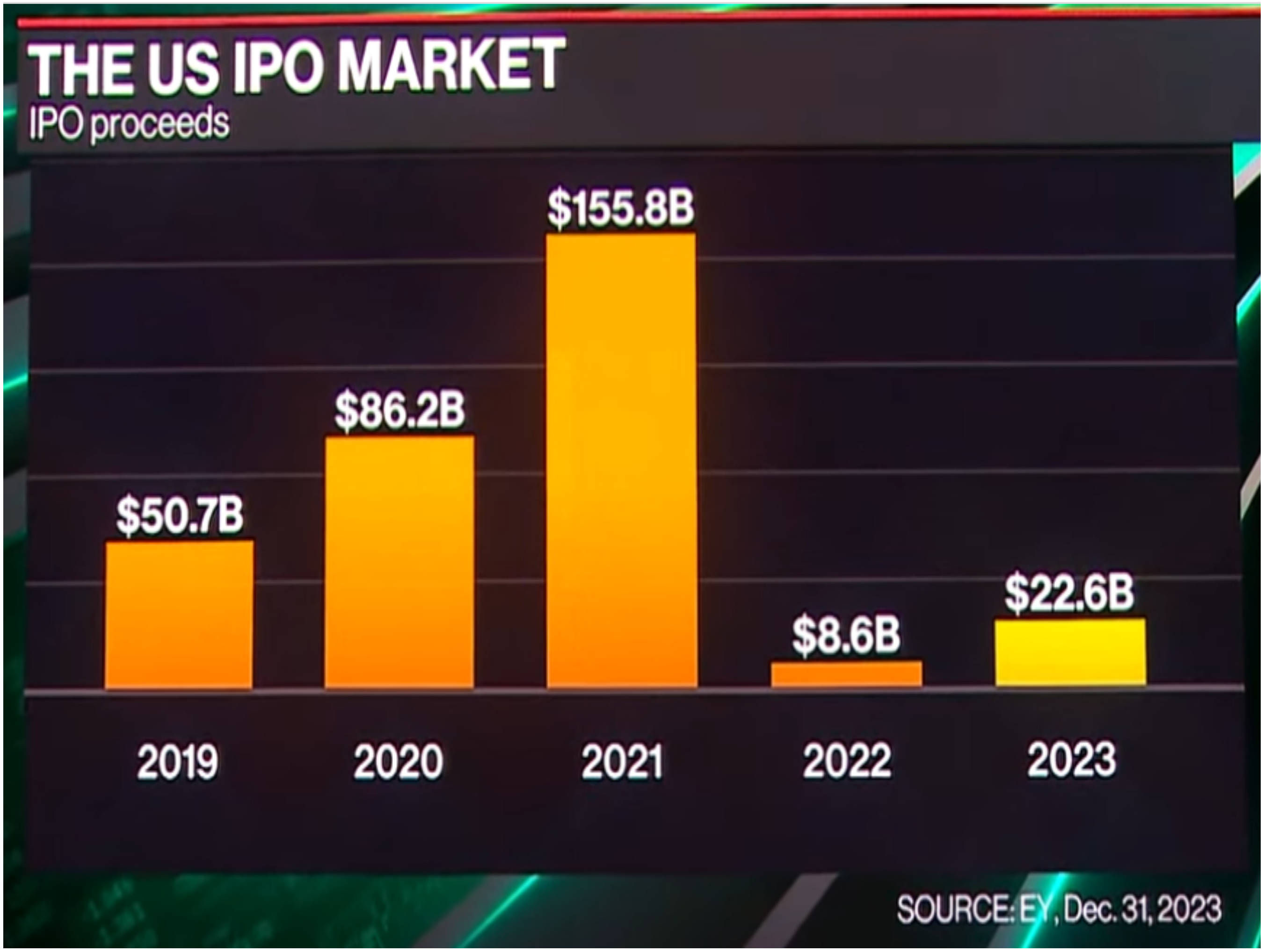

Quarterly ARPU
(in dollars)
Global
1.44
2.00
2.26
3.28
2.54
2.63
2.99
3.49
2.72
3.03
3.14
3.42
Q1'21
Q2'21
Q3'21
Q4'21
Q1'22
Q2'22
Q3'22
Q4'22
Q1'23
Q2'23
Q3'23
Q4'23
YoY Growth: 76% 32% 32% 6% 7% 15% 5% (2)%
QoQ Growth: (23)% 4% 14% 17% (22)% 11% 4% 9%
United States
2.42
3.36
3.88
5.66
4.41
4.53
5.26
5.92
4.62
5.21
5.27
5.51
Rest of World
0.46
0.66
0.69
1.11
0.89
0.97
0.98
1.30
1.00
1.06
1.14
1.34

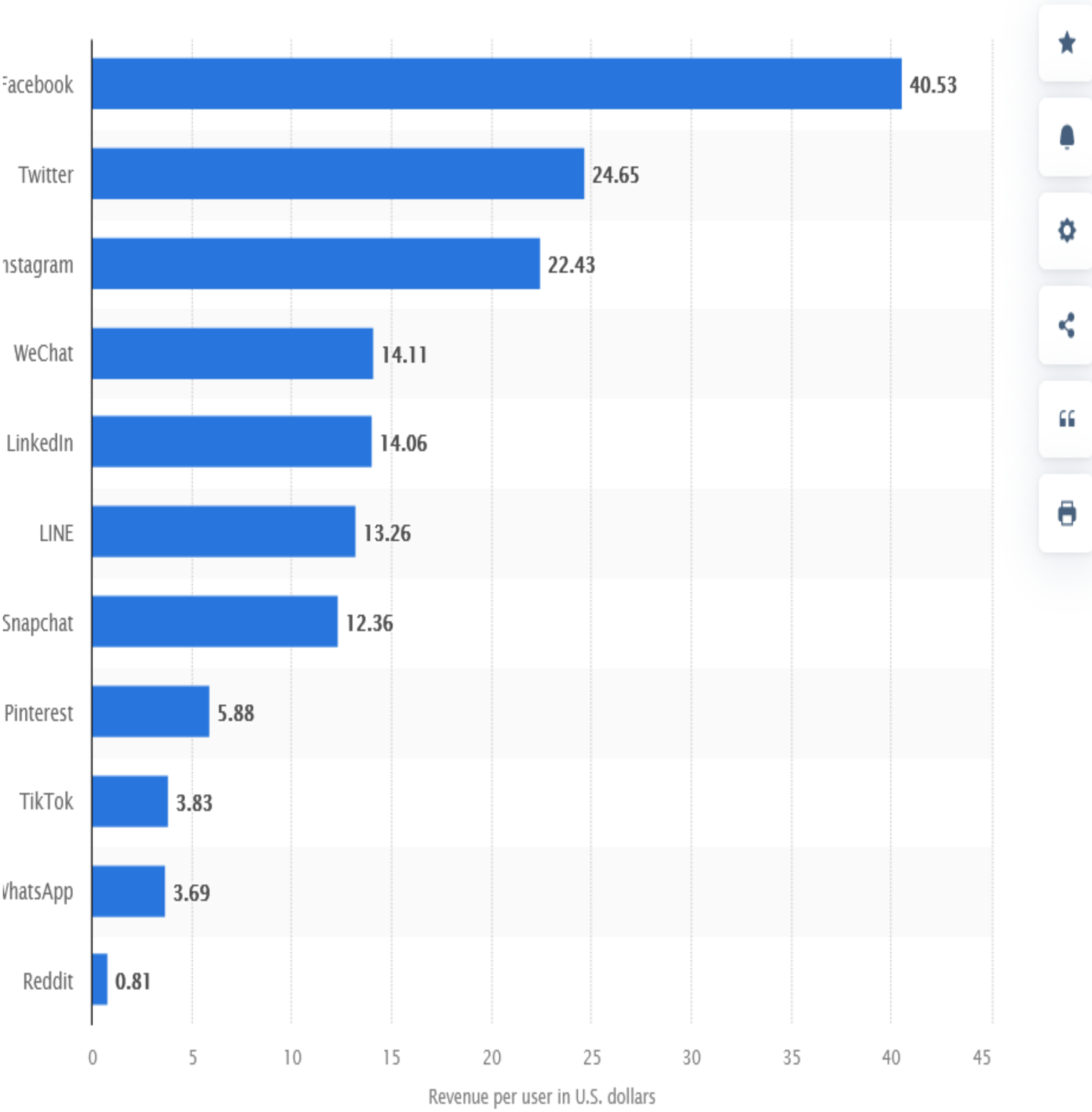
	Year ended December 31,			
	2022	2023	$ Change	% Change
	(in thousands, except percentages)			
Revenue	$ 666,701	$ 804,029	$ 137,328	21 %
Net income (loss)	(158,550)	(90,824)	67,726	(43)
Adjusted EBITDA	(108,393)	(69,275)	39,118	(36)


Quarterly Average DAUq
(in millions)
Global
Logged-in
Logged-out
54.8 54.0 53.6 53.9 57.5 56.5 57.3 57.5 60.3 60.4 66.0 73.1
31.5 30.0 29.2 28.2 29.9 28.3 28.1 27.5 29.2 28.3 31.3 36.7
23.3 24.0 24.4 25.7 27.6 28.2 29.2 30.0 31.1 32.1 34.7 36.4
Q1'21 Q2'21 Q3'21 Q4'21 Q1'22 Q2'22 Q3'22 Q4'22 Q1'23 Q2'23 Q3'23 Q4'23
Total DAUq YoY Growth: 5% 5% 7% 7% 5% 7% 15% 27%
Logged-in DAUq YoY Growth: 18% 18% 20% 17% 13% 14% 19% 21%
United States
27.5 26.7 26.4 25.7 26.9 26.3 27.0 27.2 28.6 28.7 32.0 36.4
15.7 14.7 14.2 12.9 13.3 12.4 12.6 12.5 13.4 13.2 15.3 18.7
11.8 12.0 12.2 12.8 13.6 13.9 14.4 14.7 15.2 15.5 16.7 17.7
Rest of World
27.3 27.3 27.2 28.2 30.6 30.2 30.3 30.3 31.7 31.7 34.0 36.7
15.8 15.3 15.0 15.3 16.7 15.9 15.5 14.9 15.8 15.1 16.0 18.0
11.5 12.0 12.2 12.9 13.9 14.3 14.8 15.4 15.9 16.6 18.0 18.7


Reddit Quarterly Revenue and FCF (in thousands)
Revenue
Free cash flow
300,000
200,000
100,000
0
-100,000
Q1 21
Q2 21
Q3 21
Q4 21
Q1 22
Q2 22
Q3 22
Q4 22
Q1 23
Q2 23
Q3 23
Q4 23
Quarter

Non S-1 Pics:


THE US IPO MARKET
IPO proceeds
$50.7B
$86.2B
$155.8B
$8.6B
$22.6B
2019
2020
2021
2022
2023
SOURCE: EY, Dec. 31, 2023


Facebook
Twitter
Instagram
WeChat
LinkedIn
LINE
Snapchat
Pinterest
TikTok
WhatsApp
Reddit
40.53
24.65
22.43
14.11
14.06
13.26
12.36
5.88
3.83
3.69
0.81
0 5 10 15 20 25 30 35 40 45
Revenue per user in U.S. dollars