

Internet - Content Creators & Aggregators

Reddit, Inc. (RDDT)

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Stratégie Crédit

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RATING	PRICE TARGET	PRICE	52-WEEK RANGE
BUY	\$195.00	\$134.00	\$79.75 - \$282.95

Reddit is a global, digital city where anyone in the world can join a community to learn from one another, engage in authentic conversations, explore passions or research new hobbies. With a 71% YoY revenue growth and an Adjusted EBITDA margin reaching 45% as of Q4 2025, Reddit operates a scalable model supported mostly by performance ads and data licensing. The fundamental model is attractive, and the recent drawback in the stock price makes Reddit attractive at current valuations (~\$140 as of Feb 13). Consequently, we assign a BUY rating (at \$195 PT).

Investment Thesis

- **Defensible MOAT:** While peers like Meta face headwinds from privacy changes (Apple's ATT, cookie deprecation), Reddit monetizes strong user intent, contextual traffic.
- **Superior Operating Leverage:** Reddit's unique content model (User Generated Content + volunteer moderation) drives superior operating leverage compared to peers, justifying a premium multiple as incremental revenue flows directly to the bottom line.
- **Data licensing as a strategic hedge:** We view data licensing as not only a revenue stream (accounting for 8% of total revenue), but also as a hedge against AI disruption. As Gen AI models risk cannibalizing search traffic, they increasingly require Reddit's authentic, human-generated conversational data to reduce hallucinations.

Valuation

Our **\$195** Target Price implies a 39% upside, based on:

- **DCF Analysis:** Base case with WACC 9.7% and Terminal Growth 3% yields \$195.
- **Monte Carlo:** Simulation (20k runs) produces fair value of \$190.

Potential Catalysts

The following represent key catalysts for our investment thesis:

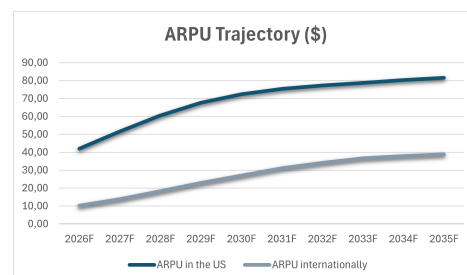
- **Search Evolution:** Reddit Answers, for now not monetized, brings high intent queries that could drastically increase revenues.
- **Data licensing growth:** Possibility of a fast increase (with new partnerships) of a high margin service.
- **Reddit Max launch:** AI-powered campaign platform, which showed an average 17% CPA reduction and a 27% conversion volume lift.

Key Estimates

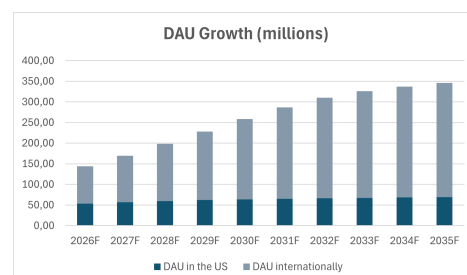
(USD)	2026E	2027E
Rev (M)	3,366	4,747
Adj. EBITDA	1,211	1,804
DAU (M)	144	170
ARPU (\$)	22	27

Risks

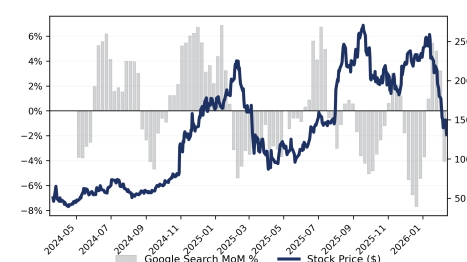
- Dependence on Google SEO traffic.
- User backlash against monetization.
- Stock Based Compensation monitoring.



Average Revenue Per User in \$ per year



DAUq in millions



Google searches showed a clear downside trend entering 2026, followed by a sharp decrease in stock price