

Reddit aims to raise \$500 mn in stock market debut

March 12 2024



Reddit's plans for making money include licensing data for 'teaching' large language models used to power artificial intelligence.

Reddit plans to raise some \$500 million with its initial public offering of shares, using the money to improve the platform and its money-making power, according to a regulatory filing on Monday.

The New York Stock Exchange debut of the platform that bills itself as "the front page of the Internet" when it comes to hot news will be a test of an IPO market that has been idling since the middle of last year.

A date for the initial public offering of shares has yet to be set.

The San Francisco-based company said in the filing that it will issue 15.2 million shares priced between \$31 and \$34.

Reddit's IPO will be the first for a social network since Pinterest went public in 2019.

That would mean Reddit could raise around \$500 million in fresh capital.

Factoring in shares potentially sold by those with existing stakes in the company and shares set aside in event of significant demand, there is potential for more than 25 million shares to be placed overall, according to the filing.

Including [stock options](#) already issued, the company would be valued at around \$6.5 billion.

In an unusual move, the company reserved 1.76 million shares for active users and forum moderators referred to as "Redditors."

Founded in 2005, the platform is home to more than 100,000 [online communities](#) devoted to a sweeping range of topics and was visited by an average of 73 million people daily, according to a filing Monday with the Securities and Exchange Commission (SEC).

Like Facebook, Instagram, YouTube and TikTok, Reddit's business model is based on advertising, but despite its popularity, the platform has

never managed to turn a profit.

Plans for monetization include licensing data for training large language models (LLMs) that power artificial intelligence, according to an SEC filing.

Reddit's users can be vocal: Last year moderators of communities at Reddit held a major protest over new fees for developer access to the platform.

And with the rise of ChatGPT, chief executive Steve Huffman had been unwilling to allow companies that build AI chatbots to have [free access](#) to the site to perfect their large-language models.

Even more famously, the Wall Street Bets subreddit fueled a GameStop share runup in 2021 in a frenzy that inspired a US congressional inquiry and the film "Dumb Money."

"Reddit needs to be a self-sustaining business, and to do that, we can no longer subsidize [commercial entities](#) that require large-scale data use," Huffman wrote in a Reddit post at the time.

Publishing giant Conde Nast bought Reddit in late 2006 and later spun it off into an independent subsidiary.

The company is now working on ways for users to earn money on the platform.

"Today, subreddits are mostly communities for content and conversation, and they will evolve into places where Redditors can generate revenue for themselves," Huffman said.

Citation: Reddit aims to raise \$500 mn in stock market debut (2024, March 12) retrieved 29 April 2024 from <https://techxplore.com/news/2024-03-reddit-aims-mn-stock-debut.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.