

Reddit, the self-anointed 'front page of the internet,' soars in Wall Street debut

March 21 2024, by MICHAEL LIEDTKE and WYATTE GRANTHAM-PHILIPS



Reddit Inc. signage is seen on the New York Stock Exchange trading floor, prior to Reddit IPO, Thursday, March. 21, 2024. Credit: AP Photo/Yuki Iwamura

Reddit's stock soared in its Wall Street debut as investors pushed the

value of the company close to \$9 billion seconds after it began trading on the New York Stock Exchange.

Reddit, which priced its IPO at [\\$34 a share](#), debuted Thursday afternoon at \$47 a share. At the close of trading, it was up 48% at \$50.44, backing off a peak of \$57.80.

"This volatility is not surprising because there has been a lot of buzz around Reddit," Reena Aggarwal, director of Georgetown University's Psaros Center for Financial Markets and Policy, noted.

When Reddit's price initially jumped, she explained, some investors who got an allocation may have sold their shares to cash in on the gains, bringing it back down. She noted that this could continue in the stock's early days.

Reddit's IPO will test the quirky company's ability to overcome a nearly 20-year history colored by uninterrupted losses, management turmoil and user backlashes to build a sustainable business.

The interest surrounding Reddit stems largely from a large audience that religiously visits the service to discuss a potpourri of subjects that range from silly memes to existential worries, as well as get recommendations from like-minded people.

About 76 million users checked into one of Reddit's roughly 100,000 communities in December, according to the regulatory disclosures required before the San Francisco company goes public. Reddit set aside up to 1.76 million of 15.3 million shares being offered in the IPO for users of its service.

Per the usual IPO custom, the remaining shares are expected to be bought primarily by mutual funds and other institutional investors

betting Reddit is ready for prime time in finance.

Reddit's moneymaking potential also has attracted some prominent supporters, including OpenAI CEO Sam Altman, who accumulated a stake as an early investor that has made him one of the company's biggest shareholders. Altman owns 12.2 million shares of Reddit stock, according to the company's IPO disclosures.

By the tech industry's standards, Reddit remains extraordinarily small for a company that has been around as long as it has. Thursday's opening debut valuation of \$9 billion, for example, is still far below the \$1.2 trillion market value boasted by Meta Platforms—whose biggest social media service Facebook was started just 18 months earlier than Reddit.



Reddit Inc. signage is seen on the New York Stock Exchange trading floor, prior to Reddit IPO, Thursday, March. 21, 2024. Credit: AP Photo/Yuki Iwamura

Reddit has never profited from its broad reach while piling up cumulative losses of \$717 million. That number has swollen from cumulative losses of \$467 million in December 2021 when the company first filed papers to go public before aborting that attempt.

In the recent documents filed for its revived IPO, Reddit attributed the losses to a fairly recent focus on finding new ways to boost revenue.

Not long after it was born, Reddit was sold to magazine publisher Conde Nast for \$10 million in deal that meant the company didn't need to run as a standalone business. Even after Conde Nast parent Advance Magazine Publishers spun off Reddit in 2011, the company said in its IPO filing that it didn't begin to focus on generating revenue until 2018.

Those efforts, mostly centered around selling ads, have helped the social platform increase its annual revenue from \$229 million in 2020 to \$804 million last year. But the San Francisco-based company also posted combined losses of \$436 million from 2020 through 2023.

Reddit outlined a strategy in its filing calling for even more ad sales on a service that it believes companies will be a powerful marketing magnet because so many people search for product recommendations there.

The company also is hoping to bring in more money by licensing access to its content in deals similar to [the \\$60 million that Google recently struck](#) to help train its artificial intelligence models. That ambition, though, faced an almost immediate challenge when the [U.S. Federal Trade Commission opened an inquiry](#) into the arrangement.

Since Thursday just marks Reddit's first day on the public market, Aggarwal stressed that the first key measure of success will boil down to the company's next earnings call.

"As a public company now they have to report a lot more ... in the next earnings release," she said. "I'm sure the market will watch that carefully."

Reddit also experienced tumultuous bouts of instability in leadership that may scare off prospective investors. Company co-founders Steve Huffman and Alexis Ohanian—also the husband of tennis superstar Serena Williams—both left Reddit in 2009 while Conde Nast was still in control, only to return years later.

Huffman, 40, is now CEO. Although his founder's letter leading up to this IPO didn't mention it, Huffman touched upon the company's past turmoil in another missive included in a December 2021 filing attempt that was subsequently canceled.

"We lived these challenges publicly and have the scars, learnings, and policy updates to prove it," Huffman then wrote. "Our history influences our future. There will undoubtedly be more challenges to come."

© 2024 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed without permission.

Citation: Reddit, the self-anointed 'front page of the internet,' soars in Wall Street debut (2024, March 21) retrieved 27 April 2024 from <https://techxplore.com/news/2024-03-reddit-anointed-front-page-internet.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.