

Reddit struggles with ARPU growth in its second public quarter

Article

The news: Reddit had strong revenues and user growth in Q2, but challenges in increasing average revenues per user (ARPU) could foreshadow a difficult road to closing the gap with other social media competitors.

By the numbers:

- Revenues were \$281.2 million, up 54% year over year.
- Advertising made up the largest share of revenues at \$253.1 million, up 41% YoY.
- Weekly active users rose 57% to 253.1 million.
- **ARPU rose just 2%**, a sign that the company is struggling to monetize user growth.

Why this matters: Reddit's second quarter as a public company saw the platform make significant gains. It built relationships with advertisers and made strides in brand safety that will help it maintain its ad business.

- Reddit [struck deals with DoubleVerify and Integral Ad Science](#) in Q2, an effort that could earn points with advertisers concerned about brand safety, particularly given Reddit's history of hosting controversial communities.
- The company also [forged connections with brands at Cannes](#), where it touted its search advertising and product discovery potential.

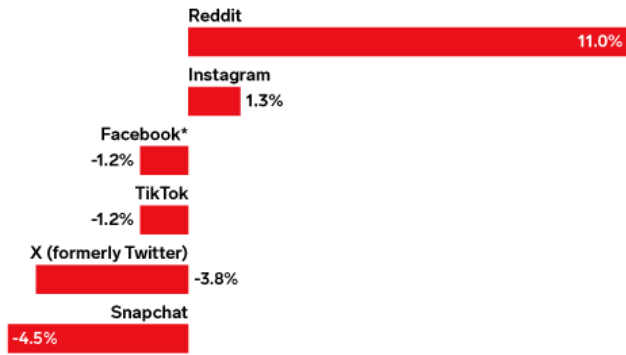
In context: Despite beating expectations, Reddit stock fell more than 4% in after-hours trading. Low ARPU growth could be a thorn in the company's side, raising concerns about its ability to bridge the enormous revenue gap with other social platforms.

- Reddit's revenues pale in comparison to "second-tier" platforms like **Pinterest** (\$854 million) and **Snap** (\$1.23 billion), both of which gave revenue guidance for the current quarter that trailed expectations.
- Compared with those two companies—and certainly sector leaders like **Meta**—Reddit is a far less shoppable platform, giving it an unclear path toward revenue gains.

Our take: Reddit's solid Q2 didn't do much to assure investors of its long-term growth prospects. The vast majority of the company's revenues come from advertising, but it will have to diversify its ad offerings and show brands that it can convert ads into sales to achieve the size and prominence of its larger rivals.

Growth of Average Time Spent per Day With Select Social Networks by US Adults, 2024

% change



Note: ages 18+; includes all time spent on the referenced social network; includes usage via any device; *excludes Instagram
Source: EMARKETER Forecast, June 2024

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