ANALYSIS / ANALYSIS

Analysis · DEEP ANALYSIS · AI ASSISTED · 18 min read · Jun 22, 2026

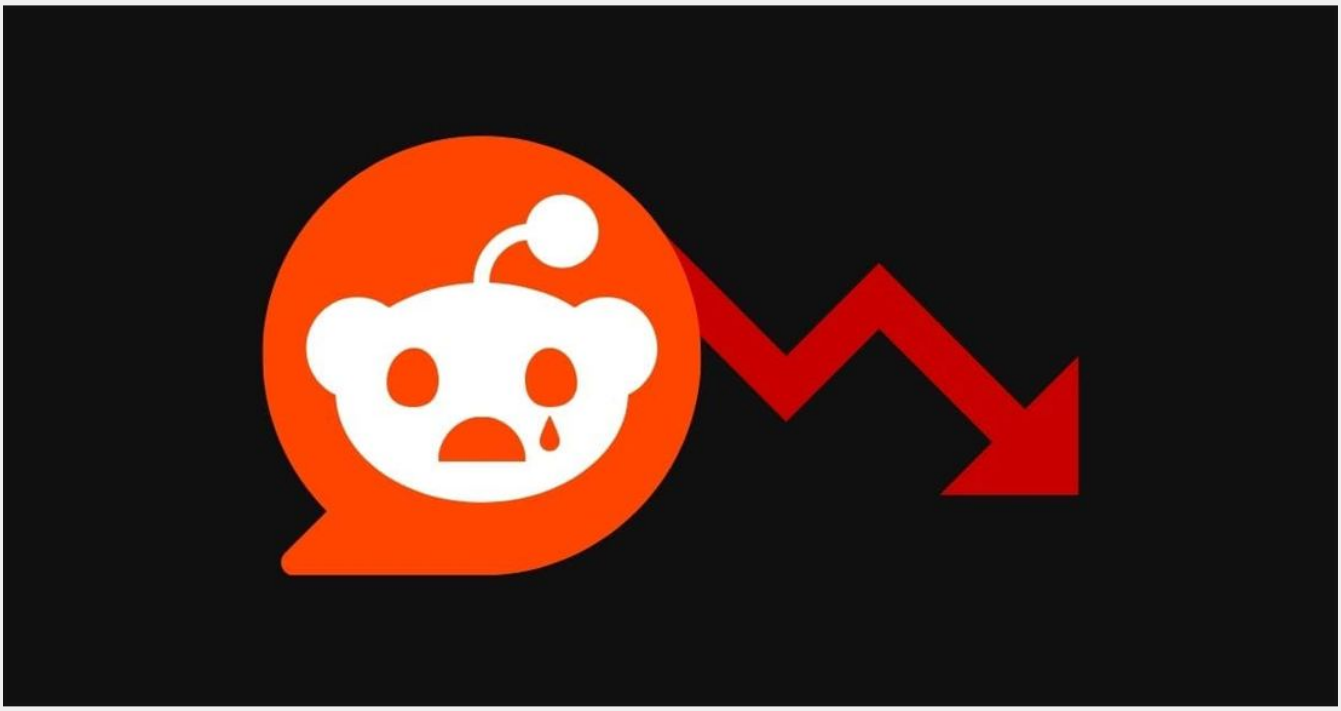
⚠ **This article is over 1 month old.**

I haven't Reddit

Reddit dominates affordable advertising but this has drawbacks.

Updated 4 Nov 2026

Read online: https://traderange.net/analysis/reddit-is-a-dead-stock-sejztlls/



If you're anything like me, seeing your favorite AI model use Reddit as a source causes some anxiety. The site is hardly a beacon of reliable information. Yet **$RDDT is an extraordinarily interesting company from a financial perspective.** It's a fast-growing business whose revenue grew *69.4% over the last year.*

But here's what the financial press is missing: **Reddit is the cheapest mass advertising platform on the planet.** And since **93.64%** of the company's revenue comes directly from advertising, understanding Reddit's advertising business isn't just important. It is the entire story.

Let me walk you through the deepest possible analysis of Reddit's advertising economics, its unique community-targeting capabilities, and why recent data access restrictions may undermine the asset that makes the company's advertising business so valuable.

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1. The Advertising Engine: 93.64% of All Business

Before we dive into the cost-per-advantage analysis, let's establish just how dependent Reddit is on advertising. This isn't a diversified business. It's an advertising business with a side gig in data licensing.

REDDIT REVENUE BREAKDOWN BY SOURCE

FISCAL YEAR	TOTAL REVENUE	ADVERTISING REVENUE	AD SHARE
2024	$1.30B	$1.19B	91.17%
2025	$2.20B	$2.06B	93.64%
Q1 2026	$663M	$625M	94.27%

Advertising isn't just Reddit's primary revenue source—it's **virtually the only** revenue source. In Q1 2026, advertising revenue grew **74% year-over-year** to $625 million, while "other revenue" (primarily AI data licensing) grew just **15%** to $39 million. Data licensing makes for nice press releases. Advertising is the business itself.

And this advertising business is accelerating:

CONSECUTIVE QUARTERS OF 60%+ GROWTH

PERIOD	ADVERTISING REVENUE	YOY GROWTH
Q2 2025	$465M	84%
Q3 2025	$549M	74%
Q4 2025	$690M	75%
Q1 2026	$625M	74%

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2. The Cost Advantage: Why Reddit Is the Cheapest Platform

Here's the single most important fact about Reddit's advertising business that most investors undervalue: **Reddit's cost-per-click (CPC) is 50–70% lower than Facebook and Instagram.**

CPC Comparison

COST PER CLICK ACROSS MAJOR PLATFORMS

PLATFORM	AVERAGE CPC	REDDIT ADVANTAGE
Reddit	$0.10 – $1.20	—
Facebook/Instagram	$1.00 – $3.77	50–70% lower
Google Search	$2.69	70–80% lower

In niche subreddits, advertisers report CPCs as low as **$0.10–$0.50**. Compare that to Facebook, where

CPC runs $1.00–$3.00 for the same audience, and you see why smart marketers are migrating to $RDDT en masse.

CPM Comparison

Cost-per-thousand impressions (CPM) looks even more impressive:

COST PER THOUSAND IMPRESSIONS BENCHMARK		
PLATFORM	**AVERAGE CPM**	**REDDIT ADVANTAGE**
Reddit	$2 – $15	—
Meta (Facebook/Instagram)	$8 – $20+	2–5x lower
LinkedIn	$10 – $20+	2–5x lower

Reddit's average CPM is just **$3.50**—a figure **50–70% lower** than Facebook and Instagram. One marketer called Reddit's CPM "roughly one-third the cost of Meta advertising." Another noted that Reddit CPM could be *"five to ten times lower for targeted placements."*

One Raymond James analyst noted that in e-commerce campaign audits, targeted placements achieved CPM above $6 with **triple-digit** year-over-year growth, while CPM for standard (non-key) campaigns was valued at approximately **$4** compared to **$2** in earlier studies. Reddit's benchmark RPM (revenue per thousand impressions) in the US is approximately **$2** with a bullish scenario around **$6**, compared to a competitive average of approximately **$5** (Google, Meta, Pinterest, Snap, Nextdoor).

Why Is Reddit So Cheap?

The answer is simple: **underutilization.** Because there's less advertiser competition on Reddit, the auction here is far less saturated than on Meta or Google. Most brands still pour their digital ad budgets into established platforms. For many CMOs, Reddit remains a secondary platform.

This creates a structural arbitrage opportunity for advertisers. They can reach highly engaged, niche audiences at prices orders of magnitude lower than competitors. One marketing study called Reddit advertising *"one of the last undervalued channels on the internet."*

But there's a catch: this price advantage isn't forever. As more advertisers discover Reddit, the auction will become more competitive, and CPM and CPC will rise. Reddit's current cheapness is a function of its relative obscurity in the advertising world. That obscurity is ending.

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3. Community Targeting: Reddit's Unfair Advantage

Price is only half the story. The other half is **targeting accuracy.** And here Reddit has an advantage no other platform can replicate.

The Subreddit Targeting Model

On Facebook, you layer targeting across interests and demographic signals. The algorithm guesses who might be interested in your product. On Reddit, targeting is built into the subreddit itself.

Someone reading r/homegym every day has already declared they're interested in home fitness equipment. Someone active in r/personalfinance is a qualified prospect for financial products. Someone posting in r/SaaS is a decision-maker in B2B software.

Reddit has more than **100,000 active communities.** Each one is a self-selected audience of people who, through their participation, have declared their interests. One marketing guide put it this way: *"This self-selection is the primary reason Reddit advertising works so well. Your targeting work is essentially done before you launch the campaign."*

Multi-Layered Targeting Capabilities

Reddit targeting goes far beyond simply picking subreddits. Advertisers can combine **four signals** in a single ad group:

- Subreddit targeting: buying specific communities by name. r/personalfinance, r/buildapc, r/parenting—you name it.
- Keyword targeting: Reddit indexes post and comment text. A meal prep company can show ads in threads where users mention "meal prep."
- Interest targeting: standard categories like Technology, Gaming, or Finance.
- Custom audiences: lookalike audiences and retargeting.

The combination of community context with behavioral precision creates a targeting opportunity that no other platform possesses. As one analysis notes: *"Reddit advertisers who use a combination of subreddit and keyword targeting consistently outperform those who copy Meta's broad-audience approach."*

The Trust Factor

Reddit's advertising advantage has another dimension: **trust.** Users who see ads on Reddit are **46% more likely to trust those brands** than users who see ads on other platforms.

That's a staggering metric. In an age of ad fatigue and banner blindness, Reddit users actually pay attention. They read comments. They engage. They give feedback. One marketer described launching a Reddit ad campaign where *"the comment threads themselves became a goldmine for product feedback."*

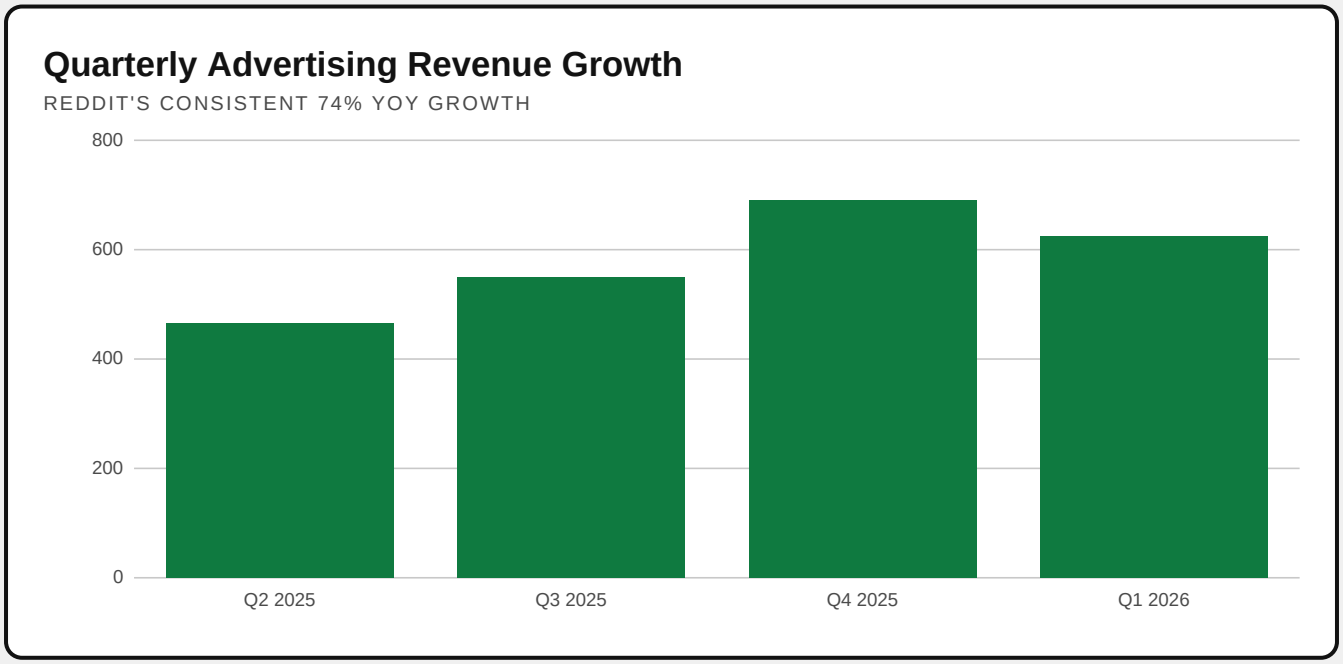
Reddit users are *"brutally honest."* They'll call out inauthentic advertising in seconds. But brands that operate transparently, helpfully, and in the spirit of the community typically see exceptional results.

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4. The Advertising Revenue Growth Engine

Let me walk you through Reddit's advertising revenue trajectory—it's extraordinary.

The Numbers



Reddit's advertising revenue is growing **74%** year-over-year for three straight quarters. The company has reported **seven consecutive quarters** with revenue growth exceeding 60%.

Growth Drivers

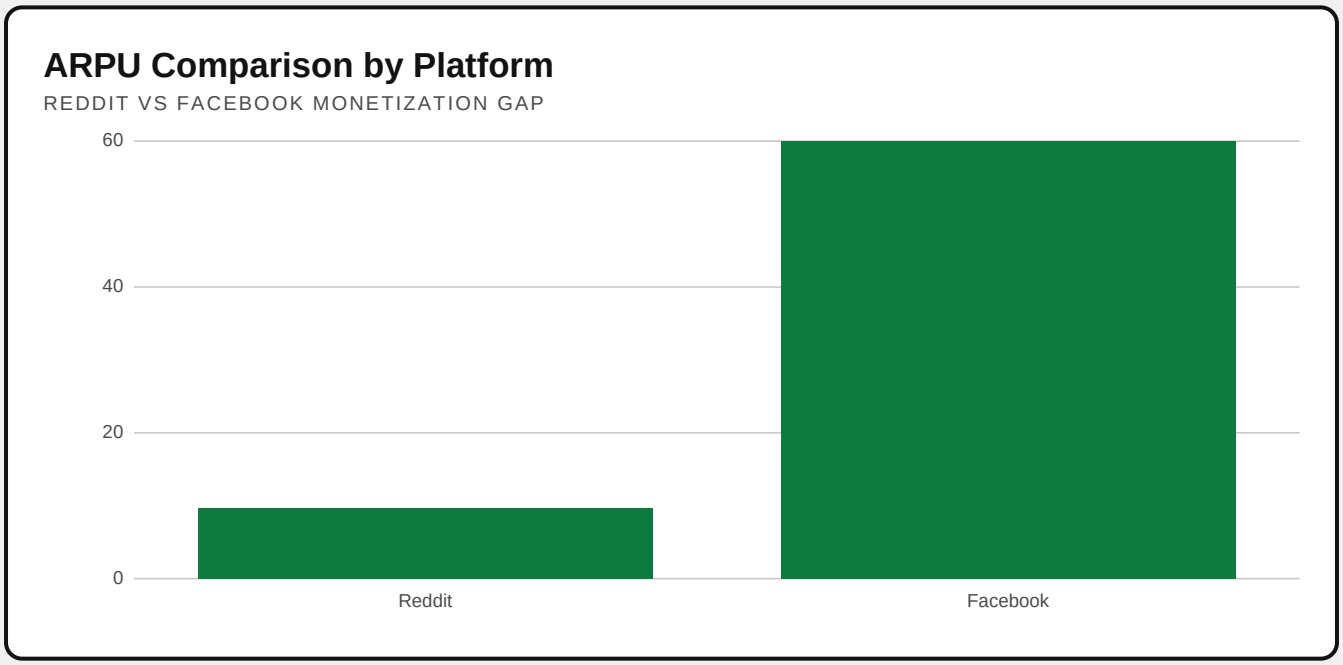
According to Reddit's shareholder letter for Q1 2026, advertising revenue growth was driven by both impression growth and price increases.

Impressions are growing due to user engagement growth. Daily active unique users (DAUq) reached **126.8 million** in Q1 2026, up **17%** from last year. Weekly active unique users (WAU) reached **493.1 million**, up **23%**.

Price is growing because Reddit's advertising inventory is becoming more valuable. Global average revenue per user (ARPU) increased **44%** year-over-year to **$5.23** in Q1 2026. US ARPU reached **$9.63**, reflecting **54%** growth.

The ARPU Gap

And here's where we see both opportunity and risk. Reddit's US ARPU of **$9.63** is still **significantly lower** than Facebook's (around $60).



This gap means either enormous growth potential if Reddit can narrow its monetization gap, or a structural limitation if Reddit's user base and ad formats simply can't deliver Facebook-level ARPU.

The truth probably lies somewhere in between. Reddit users are highly engaged but also extremely resistant to advertising. The platform's culture penalizes inauthentic ads. Reddit can't simply copy Facebook's advertising playbook and expect the same results.

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5. The Geography Story: International Growth, US Stagnation

Reddit's advertising revenue growth is distributed unevenly.

USER GROWTH AND REVENUE DISTRIBUTION BY REGION

REGION	DAUQ Q1 2026	YOY GROWTH	REVENUE SHARE
US	207.90M	~7%	~81%
Rest of World	266.70M	~26%	~19%

US user growth has slowed to just **~7%** year-over-year. International users are growing faster—around **26%**—but generate significantly less revenue per user.

This is a geographic imbalance—a structural challenge for Reddit's advertising business. US users deliver **$9.63** ARPU. International users deliver just **$2.02**. The company is adding users, but they're the *"wrong"* users from a monetization standpoint.

The company has stated a goal of reaching **100 million** daily US users. At current growth rates (around 7%), that's a very distant prospect.

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6. The AI Data Licensing Mirage: Distraction from the Core Business

I need to address the elephant in the room: **AI data licensing.**

Reddit signed content licensing agreements with Google and OpenAI. In 2025, these deals generated approximately **$140 million** in revenue—about **6.4%** of Reddit's total revenue.

Wells Fargo projects these deals could reach **$550 million.** Some analysts forecast data licensing revenue could hit **$400 million** by 2027.

But here's the uncomfortable truth: these deals are secondary.

In Q1 2026, "other revenue" (including data licensing) grew just **15%** to **$39 million.** Advertising grew **74%** to **$625 million.** Data licensing is growing **five times slower** than advertising.

The AI data licensing narrative was a good growth story for the stock, but it's not the business. The business is advertising. And the business is growing because Reddit is the cheapest mass advertising platform on earth.

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7. The Data Access Restriction Thesis: Why Dark Times Ahead

Now let me connect this to my central thesis: **Reddit's aggressive data access restriction policy signals that dark times lie ahead.**

1. The Advertising Business Depends on User Engagement

Reddit's advertising revenue depends on two factors:

CORE DEPENDENCIES OF REDDIT'S ADVERTISING BUSINESS

FACTOR	DEFINITION	IMPACT ON REVENUE
Impressions	User engagement and reach	If users leave or engagement drops impressions fall
Price	ARPU and advertising costs	If engagement drops ARPU falls
User Base	Healthy and growing user population	Both metrics depend on this foundation

2. Access Restrictions Are Pushing Away Users and Developers

Reddit's decision to block the Wayback Machine, shut down its JSON API, and restrict data access is alienating the very communities that make the platform valuable.

Developers who once built tools and services on top of Reddit's open platform are now locked out. Researchers are cut off. Third-party applications are killed.

Each of these decisions erodes trust in the platform. And trust is the foundation of Reddit's advertising value proposition. Remember: users who see ads on Reddit are **46% more likely to trust those brands.**

That trust is built on authenticity. If Reddit becomes perceived as a closed, exploitative platform, that trust crumbles.

3. Data Licensing Deals Are a Double-Edged Sword

Reddit is selling its data to AI companies while simultaneously restricting access to that same data. This is a fundamental contradiction.

The company is monetizing its data today at the expense of long-term ecosystem value. **It's eating its own seed corn.**

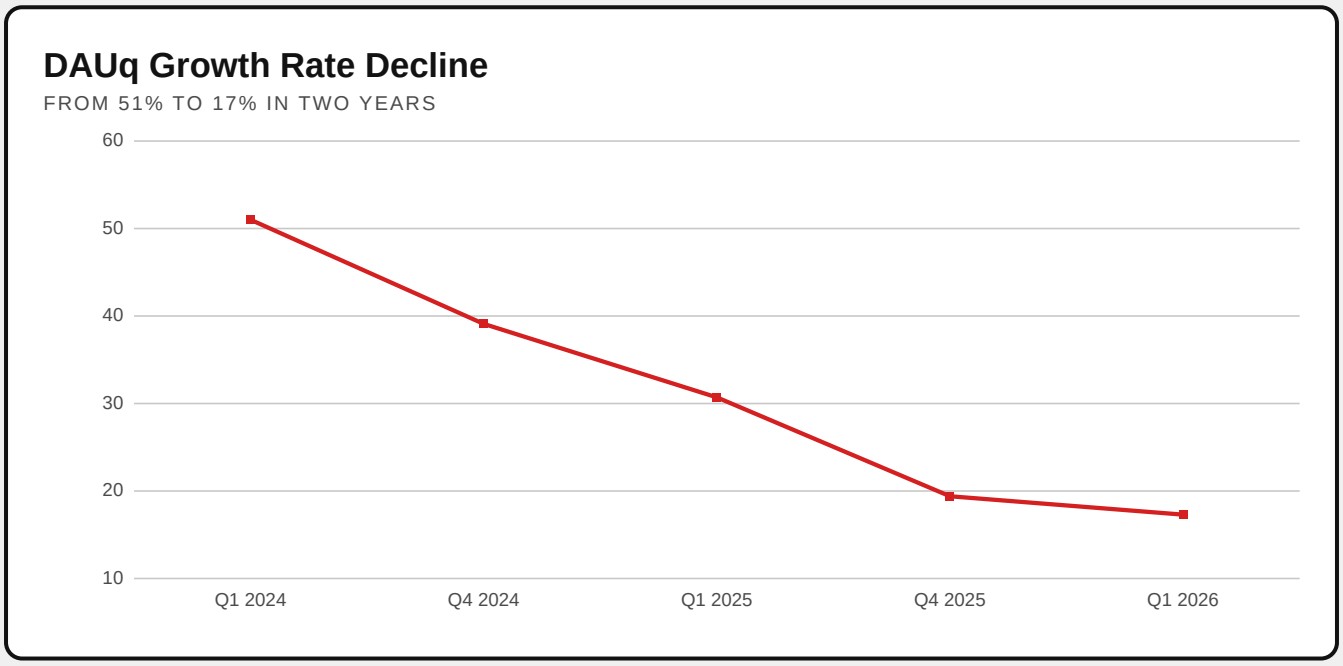
4. The Price Advantage Is Temporary

Reddit's price advantage—CPC 50–70% lower than Facebook—is a function of underutilization. As more advertisers discover Reddit, the auction will become more competitive.

The company is in a race against time. It needs to scale its advertising business before the price advantage disappears and before user growth slows further.

5. User Growth Is Already Slowing

The data is relentless:



User growth has collapsed from **51% to 17%** in two years. US user growth is now just around **7%.**

The company is exhausting its supply of Americans to acquire. International users are growing faster but deliver significantly less revenue.

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8. The Fundamental Math: What Is Reddit Really Worth?

Let me walk through rough calculations to give you a sense of Reddit's fundamental value with particular emphasis on its advertising business.

Scenario 1: Optimistic (Advertising Business Continues to Scale)

OPTIMISTIC VALUATION SCENARIO	
METRIC	**VALUE**
2026 Advertising Revenue	~$2.9B (40% growth)
2027 Advertising Revenue	~$3.8B (30% growth)
2027 Net Margin	25%
2027 Net Income	$950M
2027 P/E Multiple	30x
Implied Market Cap	$28.5B
Current Market Cap	~$31.2B
Projected 18-Month Return	-9%

Scenario 2: Base Case (Growth Slows)

BASE CASE VALUATION SCENARIO	
METRIC	**VALUE**
2026 Advertising Revenue	~$2.5B (36% growth)
2027 Advertising Revenue	~$3.1B (24% growth)
2027 Net Margin	22%
2027 Net Income	$682M
2027 P/E Multiple	25x
Implied Market Cap	$17.1B
Current Market Cap	~$31.2B
Projected Return from Current	-45%

Scenario 3: Bear Case (User Growth Continues to Slow)

BEAR CASE VALUATION SCENARIO	
METRIC	**VALUE**
Price Advantage Disappears	New advertisers increase competition

METRIC	VALUE
User Growth Falls	Single digits
AI Licensing Deals	Revisions disappoint
2027 Advertising Revenue	~$2.5B
2027 P/E Multiple	18x
Fair Value Market Cap	~$12.5B
Current Market Cap	~$31.2B
Projected Return from Current	-60%

The risk-reward setup looks far less attractive than headline growth figures suggest.

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9. Conclusion: A Cautionary Tale

Reddit is the cheapest mass advertising platform on earth. Its CPC is **50–70% lower** than Facebook. Its CPM is **2–5x lower** than Meta. Its community-targeting capabilities—built on more than **100,000 subreddits**—are unmatched in the industry.

And advertising is virtually its entire business. **93.64%** of Reddit's revenue comes from advertising. AI data licensing deals are a good story, but they're a secondary business.

But here's the problem. Reddit is aggressively restricting data access at the very moment when data should be its most valuable asset. It's blocking the Wayback Machine. It's shutting down its API. It's selling data to AI companies while simultaneously pushing away the developers, researchers, and users who made the platform valuable.

This isn't the behavior of a company confident in its long-term future. This is the behavior of a company racing to extract maximum value from an asset it knows is finite.

The advertising price advantage is a function of underutilization. That advantage will disappear as new advertisers arrive. User growth is already slowing—from **51% to 17%** in two years. US user growth is now just around **7%.**

Reddit is sacrificing long-term ecosystem value for short-term revenue. It's eating its own seed corn. And when the music stops, when the AI data licensing deal terms expire, when the price advantage disappears, when user growth stalls, Reddit may discover it has pushed away the very communities that made it valuable.

Dark times lie ahead. Walls around data are being erected. The golden age of open access is ending. And the advertising engine that powers 93.64% of Reddit's revenue may prove insufficient to sustain the company's valuation.

This is a cautionary tale about how a company can destroy its own competitive moat while celebrating

record profits.

KEY TAKEAWAYS

- ✔ Reddit dominates on price: CPC and CPM are 50-70% cheaper than Facebook, creating a massive arbitrage opportunity. But that window is closing as more advertisers discover the platform.
- ✔ 93.64% of revenue is advertising: Data licensing deals make headlines, but they're growing 5x slower than the core ad business. This is fundamentally an advertising company.
- ✔ User growth is decelerating fast: Growth collapsed from 51% to 17% in two years. US growth is now around 7%. The company is running out of Americans to acquire.
- ✔ Data restrictions signal desperation: Blocking the Wayback Machine and APIs while selling data to AI companies destroys long-term value. The company is extracting value rather than building it.

Let's look at Reddit's price performance and what it signals about market sentiment.

RDDT · Reddit Stock Performance

$RDDT PRICE ACTION OVER 12 MONTHS · PRICES AS OF 4 NOV 2026



This one-year chart shows where Reddit's valuation stands. The stock ran hard on IPO enthusiasm and AI licensing deals, but fundamentals tell a different story and the market has begun correcting itself.

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