# How Reddit Makes Money

## Idea In Short

Reddit turns unpaid user posts and moderation into a business worth billions of dollars in advertising and licensing revenue. Founded in 2005 by Steve Huffman and Alexis Ohanian, the site grew into a network of topic-based communities called subreddits, each self-governed by volunteer moderators. Reddit sells targeted ads against that content, offers a premium subscription called Reddit Premium and, more recently, licenses its archive of posts and comments to artificial intelligence companies training large language models. The company went public on the New York Stock Exchange in March 2024 under the ticker RDDT. Its model depends on a tension: the volunteers who keep subreddits useful are not paid, while the company built on their work now answers to public shareholders.

## From a fake front page to a public company

Reddit began in June 2005 after Steve Huffman and Alexis Ohanian, then roommates at the University of Virginia, pitched an idea to Y Combinator founder Paul Graham. Graham described it as "the front page of the internet," and the phrase stuck as Reddit's tagline for years. The site launched with so few real users that the founders posted under fake accounts to make it look active, a detail Huffman has confirmed in later interviews.[1] Condé Nast bought Reddit in 2006 for roughly $10 million and spun it out as an independent subsidiary of parent company Advance Publications in 2011, where it remains today.

The platform grew by handing content curation to its users rather than editors. Anyone can start a subreddit around a topic, and unpaid volunteer moderators set and enforce that community's rules, a structure that let Reddit scale into tens of thousands of active communities without a large in-house content team. Upvotes and downvotes decide what rises to the top of each subreddit and the site's front page, which Reddit describes as a self-correcting system for surfacing relevant content.

## Going public forced new financial discipline

Reddit filed to go public in February 2024 and began trading on the New York Stock Exchange on March 21, 2024, at $34 a share, valuing the company near $6.4 billion.2 Shares jumped roughly 48% on their first day of trading, a rare bright spot for tech listings after a slow 2022 and 2023 for initial public offerings. The listing put Reddit under the same quarterly reporting pressure as any public company, a shift from its two decades as a privately held, often loss-making business.

> "The front page of the internet" became a Wall Street ticker symbol less than 19 years after its launch as a side project out of Y Combinator.

Public status also exposed a long-simmering conflict between Reddit and the developers who built third-party apps on top of its platform. In 2023, Reddit began charging for access to its application programming interface, a move that shut down popular apps such as Apollo and triggered a coordinated blackout by thousands of subreddits.3 Reddit held its position, arguing that the data flowing through its API had commercial value, particularly to AI companies training language models on human conversation.

## Advertising still drives the business

Advertising remains Reddit's dominant revenue source. The company reported total 2025 advertising revenue above $2 billion, a level it had not reached in any prior year, with growth driven by improved ad-targeting tools and rising demand from performance marketers rather than only brand advertisers.4 Advertisers can target specific subreddits, letting a company selling camping gear reach outdoor-enthusiast communities directly rather than buying broad demographic categories. Reddit sells both self-serve ads that any business can set up and managed campaigns handled by its sales team for larger accounts.

## AI licensing opened a second revenue stream

Beyond advertising, Reddit signed data-licensing agreements with Google and OpenAI that give those companies access to Reddit's content for training AI models, in exchange for payments reported in the hundreds of millions of dollars over multi-year terms.5 This arrangement lets Reddit monetize its archive without asking advertisers or subscribers to spend more, and it reframed years of user-generated posts and comments as a distinct commercial asset. The company has also pursued legal action against firms it accuses of scraping its content without a licensing agreement, treating unauthorized data use as a threat to this revenue line.

## Subscriptions remain a minor contributor

Reddit Premium, the successor to the earlier Reddit Gold program, offers an ad-free experience, access to a members-only community and a monthly allowance of Reddit Coins for tipping other users' posts. Subscription revenue has stayed a small fraction of the company's total compared with advertising, functioning more as a loyalty feature for highly engaged users than as a primary growth driver. Reddit has continued to test new premium features, including AI-powered search tools, to give paying users a reason to upgrade beyond removing ads.

## Competition sharpens as AI reshapes search

Reddit competes for attention with platforms including Discord, Quora and X, but its bigger long-term challenge is how AI chatbots answer questions that once sent users to a Reddit thread. Search engines increasingly summarize Reddit discussions directly in results pages, a shift that can reduce the number of visits landing on Reddit itself even as its content stays central to the answer. Chief executive Steve Huffman has argued publicly that Reddit's licensing deals are a way to get paid for that value rather than lose it for free, a position that shaped the company's decision to restrict API access in 2023.6 The company has responded by investing in its own AI-powered search and by tightening technical measures against unlicensed scraping.

## Key Partners

Reddit's most important partners are the volunteer moderators who set rules and manage day-to-day activity in individual subreddits without pay. Advertising technology partners and agencies help Reddit place and measure campaigns across its self-serve and managed ad products. Data-licensing partners, including Google and OpenAI, pay for structured access to Reddit's content archive. Cloud infrastructure providers support the technical backbone that keeps the site running at scale.

## Key Activities

Reddit's core activity is maintaining the technical infrastructure that hosts hundreds of thousands of subreddits and billions of comments. The company builds and refines advertising tools, including targeting and measurement products, to keep pace with what marketers expect from other platforms. Content moderation and trust-and-safety work, some automated and some handled by Reddit's own staff, sits alongside the volunteer moderator system to keep the platform usable for advertisers.

## Key Resources

Reddit's largest resource is its accumulated archive of user-generated posts and comments, now valuable both for advertising targeting and AI licensing. The Reddit brand and its reputation as a place for authentic, unfiltered discussion differentiate it from more curated social platforms. Its volunteer moderator network functions as an unpaid labor resource that keeps communities organized. The company's engineering and data science teams maintain the recommendation and ranking systems that determine what content users see.

## Value Propositions

For advertisers, Reddit offers access to niche, highly engaged audiences organized by interest rather than by demographic guesswork. For everyday users, the platform provides community-specific discussion spaces and a voting system that surfaces popular content without requiring a public profile or real name. For AI companies, Reddit offers a licensed, structured archive of human conversation that is difficult to replicate through scraping alone. For businesses more broadly, Reddit provides a channel for organic engagement through activities such as ask-me-anything sessions hosted directly on the platform.

## Customer Relationships

Reddit relies heavily on self-service tools, letting both advertisers and everyday users manage their own accounts, ad campaigns and community settings with minimal direct contact from the company. A dedicated sales team supports larger advertising clients that run managed campaigns. Community-level relationships are handled almost entirely by volunteer moderators rather than Reddit employees. Customer support channels handle account and billing issues for Premium subscribers.

## Channels

The Reddit website remains the primary channel through which most users and advertisers interact with the platform. Native mobile apps for iOS and Android account for a growing share of engagement, particularly for younger users. Reddit's own advertising interface serves as the channel through which marketers set up and monitor campaigns. Application programming interfaces provide a technical channel for approved developers and data-licensing partners.

## Customer Segments

Everyday users posting, commenting and voting across subreddits form Reddit's largest segment by volume. Advertisers ranging from small self-serve buyers to large managed accounts form the primary paying segment. AI companies licensing Reddit's data for model training represent a newer, high-value segment. Volunteer moderators occupy a distinct segment, functioning as unpaid partners rather than customers but essential to the platform's usability.

## Cost Structure

Reddit's costs include cloud infrastructure and server expenses needed to host a platform with hundreds of millions of weekly active users. Employee compensation, including engineering, sales and trust-and-safety staff, makes up a substantial share of operating expenses. Legal costs have grown alongside disputes over data licensing and content scraping. Marketing and stock-based compensation round out the major cost categories reported in Reddit's public filings.

## Revenue Streams

Advertising, including both self-serve and managed campaigns, generates the large majority of Reddit's revenue. Data-licensing agreements with AI companies form a growing second stream. Reddit Premium subscriptions contribute a smaller, steady amount of recurring revenue. Reddit also earns modest revenue from other sources, including its virtual currency system used for tipping and community awards.

- 1Reddit was seeded with fake accounts by its founders

- 2Reddit's IPO priced at $34 a share
- 3Reddit's API pricing change triggered a subreddit blackout
- 4Reddit topped $2 billion in annual ad revenue for the first time in 2025
- 5Google's licensing deal with Reddit for AI training data
- 6Steve Huffman on charging for Reddit's data

## Summary

Reddit's business model rests on a trade that has held for two decades: users get a place to organize around niche interests, and the company monetizes the attention that gathers around their conversations. Going public added quarterly earnings pressure to a platform that had spent years operating with a looser, community-first ethos. The addition of data-licensing deals with AI companies gave Reddit a second major revenue lever beyond advertising, one that does not require moderators or advertisers to change behavior. Whether that revenue holds up depends partly on continued goodwill from the volunteer moderators who moderate subreddits without pay and partly on whether AI-generated summaries reduce the reason people visit Reddit directly. The company's next test is proving that a platform built on unpaid community labor can keep growing as a public company measured every quarter.