Bird’s Eye View: Reddit IPO

Dave [00:00:00]:

All right, folks, welcome to investing for Beginners podcast. Today we are going to do a bird's eye view episode. Today we're going to take a overview or big eye look at the recent Reddit IPO. Andrew and I don't invest in ipos and we don't necessarily recommend that people do. But we thought it would be an interesting exercise to work through what we see when we read through a company's introductory documents to help you see what we potentially see with a particular company. And since Reddit, it's a big, well known company and just went public recently, this might be kind of a fun show. So with that, let's go ahead and dive into Reddit's ipo. So, Andrew, what are your, I guess, initial thoughts as we start to kind of parse through this document?

Andrew [00:00:48]:

I would start kind of the whole Aswath Damodaran style. Like, what is this thing? How do I even look at it as a customer?

Dave [00:00:56]:

Right.

Andrew [00:00:57]:

So have you used it before?

Dave [00:00:59]:

I have used it briefly. I am far from a power user and I don't even have an account with it.

Andrew [00:01:06]:

Yeah, I am far from a power user as well. I don't log in with an account and I kind of look at it like it's like a mix of Twitter and a forum. That's kind of how I would describe it.

Dave [00:01:20]:

Yes, I would agree. The thing that always kind of has stuck out to me, that it's part a great place to go to find information. And also if you want entertainment, it can be that too, because depending on which subreddit you go to, you can find some pretty wild stuff.

Andrew [00:01:39]:

I remember seeing somewhere somebody had said that one of the most common searched terms on Google was the word Reddit, because people will put some search term and then add the word Reddit to it in order to get like, I guess, a more crowd sourced opinion on things. And I've certainly done that with fitness and things like that.

Dave [00:02:02]:

Like, I've done it with, uh, with my diet. So with the keto diet that I do, I've used it to help me find recipes or just initially, what are people's thoughts on the whole keto idea?

Andrew [00:02:13]:

So it's like, it's keto good.

Dave [00:02:16]:

Reddit, right?

Andrew [00:02:17]:

That's your search term?

Dave [00:02:18]:

Yep. Yeah. Yeah.

Andrew [00:02:20]:

That's cool.

Dave [00:02:20]:

Yep. So here's an interesting tidbit. The company, most people may think, oh. Cause it, it went, it just went public recently that it's a newer company. They've been around for over 20 years. Yeah, that's crazy.

Andrew [00:02:36]:

I was reading through their s one, just kind of scrolling through and they show the timeline of different big events of the company. And they mentioned how President Obama did an AMA back in 2012. It's like, it's crazy. I think like Reddit kind of started the whole ama thing. Now it's like everybody does Ama's, right.

Dave [00:02:57]:

Right.

Andrew [00:02:58]:

I vividly remember that, though. Like everybody was talking about the AMa and, oh, you better get on at this time to ask a question and hope he answers your question.

Dave [00:03:08]:

This is cool.

Andrew [00:03:09]:

It kind of bridged the gap between celebrity and average person.

Dave [00:03:14]:

Right. How many opportunities do you have to talk to a former president of the United States? Not many. Not many. So I guess maybe let's start with for those newer to the show, a, what is an IPO and b, what is an s one?

Andrew [00:03:29]:

Okay. So IPO is how a company goes from being private to being traded on the stock market. And anybody can buy those shares. So if Chick fil A, for example, ever went public and they decided to take the family business and wanted to cash out, provide liquidity for private shareholders, and they could go to the market and IPO and people like you and me could have part ownership in that. And so the s one is the document that every company needs to file, which kind of feels like a ten k. It feels like an annual report, but its not as complete as one, and it should. The goal of it is to give an investor enough information to make a good decision on whether they want to invest in the company or not and whether there are certain risks that they need to be aware of if they want to invest in the company and things like that. How do you look at the s one and looking further, how do you think about applying it when you're trying to learn about a company like Reddit?

Dave [00:04:35]:

I try to treat it the same way I would learning about any other new company that's maybe coming into my radar. So I would a want to try to figure out how does this company make money? Who are they? What do they do? So that would be question number one. And question number two would be what do their financials look like? Understanding that when you're looking at an IPO, they're not going to be the same as looking at the financials for Microsoft, for example, you're not going to see the same level of profitability. You're not going to see the same level of maybe dilution or not dilution. There's going to be all kinds of differences. So you have to take that into consideration. So that's one part of it, I guess the other part that I would want to find out, is just try to answer any questions that may come along. As I read the s one, a bit of warning about reading an s one, they are part informational, part propaganda.

Dave [00:05:31]:

So there's going to be a fair amount of the company really pumping up themselves, and it's understandable because they're trying to generate excitement about the company going public because they want people to, they want to generate a, you know, a feeding frenzy for the shares that are available to go out and buy. So it makes sense. But you also have to kind of keep that in mind so you don't start to drink the Kool Aid, so to speak, and get super, super excited after reading an s one about a company like Reddit. I'm not saying it's a good or bad investment. I'm just saying that's very typical. They also, also tend to be very long. So this one is clocking in around 180 pages, and that's without any of the addendums. And I was looking at new banks a few years ago, and theirs was a Svelte 270 some pages, so they can be really long.

Dave [00:06:18]:

So just kind of be forewarned. When you, when you going, when you're sitting down with a cup of coffee, you might want to get a refill.

Andrew [00:06:27]:

Well, I think the art of skimming a financial document really is almost more valuable than being able to, you know.

Dave [00:06:34]:

There'S read every word. Yeah, yeah.

Andrew [00:06:36]:

There's a time and a place for each of those skills, but I think it's a good skill to have to be able to skim through and figure out what you need to concentrate on and what you can skim through.

Dave [00:06:47]:

Exactly. So what do you look for when you look at an s one?

Andrew [00:06:50]:

I like to just kind of go with the flow. I feel like you talk a lot about following your curiosity, and you mentioned kind of asking yourself these questions, and I do that, too. Not so much in like a paper and pen format, but just in my head, questions start piling up, and then as I go through skimming and trying to find relevant information, that I'm starting to naturally answer those questions for myself. So one kind of I can share that first popped in my head was just kind of bigger picture on the whole Reddit story. One of their KPI's that they mentioned is average Dau, which is daily active users. And so there's a number on there that's 73 million. And so what I would want to know if I was considering this for an investment. I'm not, because it's not the type of company I invest in.

Andrew [00:07:43]:

But if I was, I would want to know, okay, how is a company going to grow? And is there room for them to grow into that? So 73 million users, what does that even mean? I don't really know. Like in and by itself, that number doesn't tell me anything. But if we go back to what we were saying, Reddit's kind of like Twitter. So, aha. You can go look at Twitter's financials because they used to be public. And so you can pull up Twitter's 2021 annual report and you can see they had 217. So if Reddit can grow into twitters daily active user size, if it took them ten years to do it, that would be about 12% CAGR on their revenues. So thats one way that they could potentially grow.

Andrew [00:08:32]:

And so I wouldnt say, oh, I think its going to grow 12%, but that would be the first kind of building block to say, I think sales from users around 12%, I think that's a decent place to start.

Dave [00:08:46]:

Yeah.

Andrew [00:08:46]:

Do you ever look at Tam or anything like that?

Dave [00:08:48]:

I think you kind of have to when you're thinking about these kinds of companies when they go public, because I think they don't have a proven track record, at least publicly. And so the whole idea when they go public is we want to see that they have a Runway to grow. You wouldn't want a public company, a company to go public when they're on the downside of their life cycle, because then that's not really a good long term viable investment, especially for a younger company. That's unproven. Not necessarily that Reddit's young, but generally when these companies go public via an IPO, they're going to be younger, very high growth revenue companies, but also losing a lot of money. And eventually they have to air, quote, grow up and become teenagers or adults, so to speak, and start producing profits. And if they don't have a long Runway to grow into that profitability, then that would be, to me, would be a big sign of like, you know, this is just a, this could be only a vehicle for the owners or the insiders to cash out and everybody else is kind of left holding the bag kind of thing. And so if you don't have that big Tam to grow into, I mean, it doesn't necessarily have to be the Uber, you know, the, of the world, world's economy that a little, that was a little enthusiastic.

Dave [00:10:12]:

But, you know, I think you have to do a little bit of somewhat, you know, generalizing. You know, what could this grow into? And to your point, looking at a company like Twitter to get an estimate of, like, okay, where could this company go? I think would be very relevant to think about.

Andrew [00:10:27]:

Do you think Facebook is a good Tam? Cause I'm kind of conflicted on that. On the one hand. Yeah. I mean, Facebook is a social media platform, just like Reddit is.

Dave [00:10:38]:

Right.

Andrew [00:10:38]:

On the Flip side, it's like, I feel like Facebook offers you a different, like a more lazy experience, like a more casual experience, potentially, yeah. And so is there just a bigger market for that than something that's more intellectual or Text based or however you want to describe different contexts?

Dave [00:10:58]:

Yeah, I think, to me, I don't think that, you know, to me, Facebook, Instagram, you know, all their kind of family of apps feel far more visually stimulating or much more. Exercises your thumb a lot more.

Andrew [00:11:16]:

There you go.

Dave [00:11:17]:

Yeah, it's more of the doom scrolling. Right. Idea on that. And even Twitter can be more like that. But I think my limited usage of Reddit is it's far more intellectual and it's a lot less just sitting there thumbing through things. You actually have to either interact with people or you're going there for specific purposes and trying to find information. It's not, I don't feel like it's someplace where how many of us have lost a half an hour to Instagram without even realizing it? You all raise your hands. That's all of us.

Dave [00:11:51]:

I don't feel like that Reddit has that same kind of user experience. And so comparing that to something like Instagram or Facebook, I don't think would be a fair comparison. I think Twitter would be a more fair comparison.

Andrew [00:12:08]:

Because you feel like Twitter is a little more niche.

Dave [00:12:11]:

Yeah, yeah, yeah. It's a little more niche. It can definitely be a doom scroller for sure, but there tends to be more text based stuff versus just visual based stuff. And I think that leads to more intellectuality, if you will, if that's even a word. So that's kind of how I feel about it.

Andrew [00:12:29]:

I mean, it's maybe taking it to an extreme by almost look at like Wheel of Fortune and jeopardy versus history channel.

Dave [00:12:36]:

Right.

Andrew [00:12:38]:

Like the audience size has the potential to be different. Yes, but interesting. If you pull up metasploit, if you pull up their latest ten k, they're daily active, which I'm shocked that this doesn't include Instagram, WhatsApp or some of the other stuff. Latest daily active users was 2.1 billion. So if in some universe Reddit could grow to that, that would be like explosive. From where they are now, 73 million to 2.1 billion, that would be, that would be quite the growth trajectory.

Dave [00:13:13]:

Yeah. Gosh, I guess. So. When you look at these, then, like, do you think it's a good exercise to take a company, whether it's Reddit or whether it's, I don't know, Doordash or whether it's stripe, who could ipo this year to take relative companies in their same industry to kind of get a sense for what the tam could potentially be?

Andrew [00:13:36]:

Yeah. Even just something as simple as comparing revenues, different companies in the same industry. I was just doing the biotech slash, just big pharma industry. And I was looking and I was surprised at how high Mercks revenue was compared to Eli Lilly, for example, because Eli Lillys PE is like a 35 or something and theyre one of the bigger market cap marks is not quite as high. So when I look at market caps, I think sometimes that distorts the actual reality of how big these businesses actually are. And so just kind of getting down and dirty a little bit and throwing some numbers in a spreadsheet and looking at the comparison between the companies, I think can sometimes uncover and show you where you're not getting the complete picture about an industry and kind of just set better expectations and give you a better picture of what the industry actually is, right?

Dave [00:14:33]:

Yep. Thats a great way to look at it. So I guess kind of moving past the tam and maybe what the business does, what would be some other things that might stand out to you in an s one or something that maybe you would want to look at a little bit?

Andrew [00:14:48]:

Well, I guess Reddit made it easy because they talked about the active users and how many people are on their platform. So thats obviously a good first stepping stone. And then as you scroll down, they start talking about ARPU or average revenue per user. And so if you got to get all the people at the lemonade stand now we got to sell them the lemonade. That's really what ARPU is going to tell you. And so in the exact same way, because, again, I looked at Reddits ARPU for Q 423. It's at $3.42. I'm like, what the heck does that mean? I don't know if that's good.

Andrew [00:15:27]:

Is it good? Is it bad?

Dave [00:15:28]:

Right.

Andrew [00:15:29]:

But when we looked at Twitter and then Facebook, then you can start to get comparisons. And you can see just because Facebook is higher than Reddit doesn't mean Facebook's a better business, but maybe that tells you, okay, they are monetizing their customer at a higher rate. So from that information, we can know kind of is there room for improvement? And then also in this case with Facebook versus Reddit, if I take that information, so, for example, you have a gap between Facebook and Reddit. And so with that information, it's like, okay, what are some reasons why this could be happening? And then if I think, again, from the lens of the consumer, I find Facebook tends to have a lot more videos. And I don't know, you know, I can't speak for everybody's Reddit experience, but from the times I've been on Reddit, there's been a lot more text based or display type ads, things like that. And so you just, I guess, a little unfair because we're kind of digital Internet business people, so we kind of know this. But the monetization for video, it tends to be higher than for text. And so maybe that's one of the reasons why Facebook has the higher ARPU, not to mention, obviously, the other factors, which could be how long they've been in business and all of these things.

Andrew [00:16:52]:

But that's just kind of a sampling of how I would take that $3.42 of ARPU and try to make sense of it. If you were to look at their ARPU, what would you conclude from it?

Dave [00:17:04]:

I think there's probably a couple of things you could think about in context of one overriding factor. I guess the first thing you could think of is it's lower overall than some of its competitors. And so that could be something that they could potentially improve over time. So there's potential upside in that. So there's that. But then the other factor that you have to kind of create or you have to kind of infer is how likely is that going to happen? And the reason why I would ask that question is because I would base it on the idea that this is a 22 year old company. It's not something that was formed seven years ago, and it's still kind of learning the ropes, if you will. The fact that they've been able to be private for 22 years tells me that they were able to generate enough money to not have to go public.

Dave [00:18:00]:

And so they have found the current way of monetizing their business sort of works for them at certain levels. But the bigger question is, can they scale that and can they improve upon that? To your point, can they add more video based or higher revenue generating options, and what other opportunities could they have to try to generate income? You have to. Those are questions that you may not be able to figure the answers out, but it's certainly something you'd want to think about as you try to attempt to look at this company and analyze it and determine, you know, is this worth what people are saying it's worth? That's what I'd want to know.

Andrew [00:18:44]:

Yeah. Yeah. Very well said.

Dave [00:18:46]:

Because I think, you know, bottom line, if it can't meaningfully easy for me to say, or this is never really going to be much of anything. And that would be, I guess my concern. You know, bottom line is when you look at a company like Reddit, you want to make sure that because they're not a new young company, that they can execute and improve on that. If they can't improve that ARPU, drastically, the coming years, then theyre going to have to figure out another way to monetize the business that can offer them big growth. Because if they cant, nobodys going to buy an unprofitable business thats losing money, thats growing at four or 5% a year. Why would you, you could go out and buy a much older company that pays a bigger dividend and just do nothing, then have to constantly worry about a company that cant. I know the revenue growths, theyre showing big numbers right now, like 50 some percent over the last three years, which is impressive. But the bigger question is, can that continue? And that would be a question I would want to answer, or at least have a good idea of wrapping my head around if that can improve or not.

Andrew [00:19:56]:

Do you think those questions are harder to answer when you start talking about growth and potential growth versus is Coca Colas moat going to be the same ten years from now?

Dave [00:20:09]:

Thats a good question. My gut reaction is, no, theyre just different. Trying to determine the potential growth of a business is different than trying to determine the potential strength of Kochs mote, for example. I think theyre two different beasts, and I think somehow will have a bearing on, I think, the popularity of the business. So, for example, when Rivian went public, there was a huge clamor for the shares of that company. Everybody and her brother wanted to get in on that IPO. It was hot. When Reddit went public.

Dave [00:20:47]:

It was, you know, I don't mean this to be offensive, but it was more of a whimper, like, okay, it's public. They just, there wasn't this clamor or super excitement. You didn't see social media blowing up because this company went public, but you did when Rivian went public, and there are vastly different places, and rivian brand new company barely producing anything, the furor was all based on the expectation, not the actual performance. Whereas Reddit has a history. And so you can look at that history and somewhat get an idea of a sense of where the company could be going and where management is taking the business, and you can make your call from there. But to me, I think they're just different. What are your thoughts?

Andrew [00:21:31]:

I think it's harder. I don't know how many people I can say that are good at it. Who would you say?

Dave [00:21:38]:

Or the revenue Growth.

Andrew [00:21:40]:

The revenue Growth, right.

Dave [00:21:43]:

You think that's harder?

Andrew [00:21:44]:

Yeah, I think there's a reason why, like the Venture capital guys and the Sequoia guys will buy 100 companies because.

Dave [00:21:52]:

They'Ll hit on ten.

Andrew [00:21:54]:

Yeah. And they might not necessarily know which one it is, but I mean, that's my guess. I, yeah, I can't speak for Sequoia or anybody else who's good at it. It's just, I do think it's Harder.

Dave [00:22:06]:

That's a good point. I mean, if you think about that a little deeply, I mean, if anybody was going to be able to predict how well a company grows, you would think it would be some of the private VC companies, because that's what they do.

Andrew [00:22:19]:

Like, wouldn't they put 20% in something if they were, I don't know, not confident.

Dave [00:22:25]:

You're right.

Andrew [00:22:26]:

So, yeah, what makes it interesting for them is they just need to hit on one and that could be so massive.

Dave [00:22:34]:

Pay for all the other ones. Yes, right, exactly. I guess if you start parsing through the financials briefly, does anything stand out to you as positive, negative? What would you look for in a company like this or even just an IPO company?

Andrew [00:22:53]:

Yeah, it's a great question. I looked at the income statement first. I saw that the operating loss was less from one year to the next. So in my mind, that sounds like a good idea.

Dave [00:23:07]:

Yeah, directionally correct. Right?

Andrew [00:23:09]:

Sounds, yeah, it sounds great. But you know, I guess it would probably depend on the business strategy. Right. Like if I'm in hyper growth mode and we are doing a marketing blitz because were trying to get to profitability, then maybe you actually want it the other way. But I would wonder if thats case by case basis, what stood out in the financials for you.

Dave [00:23:29]:

If I look at the income statement, there are probably three things that kind of stood out. Number one, they were seeing good revenue growth, like I said, 52% over the last three years. The gross margins were really good, which you would expect with a more asset like company. One of the other things that jumped out at me was the R and D spend seemed really high for a 22 year old tech company that's not really very innovative. And that's really, that's been one of the big, I guess, complaints, if you will, in the financial Twitter slash podcasting space. I've heard more than a few podcasters that have analyzed the company have made comments about the R and D spend. They felt like was like, where's that going? Like, that seems really high. Even Ben Thompson from Stratecury made a comment about that, too.

Dave [00:24:21]:

So, you know, when those kinds of people mention those kinds of things, that sticks out to me. As somebody who's not an expert in this space. It didn't seem egregious to me at first blush. But then when I kind of looked at it at second eye after people mentioned it, it does seem incongruous, like it doesn't really match what the company's tech does. You know, some of their website feels to me like a 1990s website. You know, it doesnt really feel like its cutting edge. So why are they spending so much per, and the way you would measure that is you look at the R and D expense and compare that to the revenue. And if you see that going up, I mean, the revenue is going up, which is great.

Dave [00:24:58]:

But if you also see that going up, you want to see where the moneys going. I understand that you have to invest. You have to spend R and D to invest to grow. But the flip side of that, theyre not Microsoft. So its not an apples to apples comparison either. But it's not the same. That's, I guess those are a few things that kind of stuck out to me from the income statement.

Andrew [00:25:18]:

Yeah. What would you say the normal R and D percentages? Normal is not the right word because every business is different. But like a normalized, like anywhere, the single digits maybe double, you know, maybe 20% ish or so if you're, yeah.

Dave [00:25:32]:

I think, you know, kind of depending on the business and kind of where they are and what they're doing. But, you know, I think you'd want to see somewhere in the mid single digits to 20% ish depending on the business kind of range.

Andrew [00:25:46]:

For Reddit, it was 438 out of 804. So more than 50%.

Dave [00:25:51]:

Right. So that's a big number.

Andrew [00:25:53]:

That's a VERY big number. That's a very, to your point, they're not building electric vehicles or, you know, installing solar panels or anything like that.

Dave [00:26:01]:

No, Zuckerberg is spending a ton of money on reality labs. Right. And so their R and D spend is the big boy number and so is their capex number. But you expect that because hes trying to build something new and thats expensive. We get it. But when you look at a company like Reddit and theyre not building something new, then you start to ask questions like why, that seems really high kind of thing. So theyre not creating enough operating leverage unless they can grow the revenues even faster so they can become more profitable. It just seems like thats an unsustainable trend, if you will.

Andrew [00:26:38]:

Preston, I guess the flip side of that argument would be, well, if theres a bunch of R and D, all they have to do is cut it. And now suddenly you have a much more profitable company. And then the other argument to that is, well, if they can cut it, how come they havent cut it already? And so its, I think its a wonderful insight that R and D is really huge here. Yeah, it's definitely abnormal.

Dave [00:27:02]:

Yep. When you look at the balance sheet, did you see anything that jumped out to you, good or bad?

Andrew [00:27:08]:

Not really.

Dave [00:27:09]:

It was pretty nondescript. We don't know what it's like. The numbers that we are looking at are all pre ipo, so we don't know how much cash they have on their balance sheet.

Andrew [00:27:18]:

Right.

Dave [00:27:19]:

As of now, I know pre ipo they had more, way more cash than they did debt, which is great. But other than that, it was pretty nondescript. There wasn't anything like awesome or like hugely negative either.

Andrew [00:27:32]:

Yeah, uneventful.

Dave [00:27:33]:

Yeah, very uneventful. What about the cash flow statement? Do you see anything in there that was or was positive?

Andrew [00:27:40]:

Of course I wanted to look at stock based compensation.

Dave [00:27:43]:

Right.

Andrew [00:27:44]:

Why not?

Dave [00:27:44]:

Yeah, why not?

Andrew [00:27:45]:

47 million, so it didn't seem crazy. That would be about 5% of revenue.

Dave [00:27:52]:

Yeah, I looked it up as about 6% of the revenue. Okay. Yeah, most like a lot of the growthier investors on Twitter like to see 5% or less.

Andrew [00:28:03]:

Okay.

Dave [00:28:04]:

So they're kind of skirting the edge, I guess, if you will.

Andrew [00:28:07]:

Like on the high end.

Dave [00:28:08]:

Right? They're on the higher end. They're not a palantir or some of the other, you know, egregious spenders of it, but they're on the higher end. And again, it kind of goes back to that question that we were asking about R and D. It's kind of connected. And so why are they spending so much on stock based compensation when they're not really doing it doesn't seem like they're doing a lot of R and D developments. Why are they paying an expensive price for that? Not usage of money, I guess.

Andrew [00:28:39]:

Right. And I guess the question you ask any tech company, how much of that's going to the engineers and how much of thats going to senior management?

Dave [00:28:48]:

Right.

Andrew [00:28:49]:

And thats not always an easy question to answer. And thats what makes investing no stock picking sometimes challenging.

Dave [00:28:56]:

Right, exactly. So is there anything about this overview of Reddit that surprised you, that confirmed your view, maybe gave you like, hey, I should look at this company a few years down the road, like, what kind of stood out to you about it?

Andrew [00:29:13]:

Um, that's a good question. I'm gonna pass the baton because I want to think about it for a second. So maybe I'll just steal your answer after you're done.

Dave [00:29:20]:

Okay, I guess a few things. So, number one, I think it verified to me that this is an interesting marketplace and it has developed a loyal user base and it has a usefulness for people looking for specific answers to things. I think people are able to build their own communities, which they obviously have with all the subreddits. And I think that has the value as far as like an investor, like a company that would I buy this, I don't see anything that would really entice me yet. I'm not a user of the platform generally. And so there's nothing in here that would make me go, you know, hey, I'm missing out. I need to buy this. Like, if I was really going to invest in a social media company or something along those lines, I would far rather look at meta than I would at Reddit personally.

Andrew [00:30:13]:

And why is that?

Dave [00:30:14]:

Just because I think they have, I feel like meta slack. Facebook has a lot more at this point. They've proven they have a lot more optionality and a lot more potential upside than I think Reddit does. And so that, and based on just the history, Zuckerberg has proven that he can run a business and can make it profitable and he can churn out other products that could potentially be increase the potential market share of the business at some point. So I think those things would MAKE me think, okay, this is something that could be more on my radar than Reddit would be.

Andrew [00:30:55]:

Yeah, well, for me, too, it's the exact same conclusion as far as Meta today would be much closer on my radar than Reddit today. But to me, it's more of a case of what type of companies do I want to lean towards and what kind do I want to lean away from. So I think the upside for Reddit is probably higher because they have a lot of room to expand and grow into things. But there comes a lot of uncertainty with that, that I feel like something like meta, being more stable and established and having that track record carries less uncertainty than something like Reddit, which is not yet profitable, has the potential to be profitable, but we don't know still if they can actually do it until we see it.

Dave [00:31:46]:

Mm hmm. Yeah, that's exactly right. To me, it comes down to, I guess, really the business model and management. And is the business model offer upside or potential upside, and do you believe that management can act on that?

Andrew [00:32:02]:

Yeah, it's going to be one of those things for me. I would like to see, like, positive free cash flow and positive profits and kind of see where's the business at then? Right at this early stage, I just, it's too risky for me. But, you know, obviously there's people who feel otherwise because they're buying up shares.

Dave [00:32:21]:

Yep, exactly. I mean, ipos are not for us, but that doesn't mean that other people couldn't try them. But that's not the way I want to go. Yeah. All right, folks, well, with that, we'll go ahead and wrap up our conversation on the Bird's eye view of ipos and in particular Reddit's ipo. We hope you enjoyed our conversation and a brief look at a company and maybe what you could look at when you're reading through an s one and trying to analyze a company that's going public to give you a sense of what's out there and what could potentially happen and whether it's a good investment now or in the future. So with that, we'll go ahead and sign us off. You guys go out there and invest with a margin of Safety.

Dave [00:33:01]:

Emphasis on the Safety. Have a great week, and we'll talk to you all next week.