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Hot Off The Bus – Internet "Rally In The Valley" Key Takes

On February 26th, we hosted our Bay Area "Rally In The Valley" Bus Tour, and met with **RDDT** (CPO and IR), **LYFT** (CEO), **GDDY** (CFO and IR), **CART** (CFO and IR), and **RBLX** (CFO), wrapping up the day with an investor dinner joined by leading VC partners and industry veterans. Key takes below. We are available for calls on all of these meetings.

Takeaways From RDDT:

We met with CPO Pali Bhat and IR Jesse Rose. Here are our key takes: **1) Reddit Answers:** Mgmt. explained that Reddit Answers is currently in beta (U.S. & iOS-only) and has performed well so far, giving them confidence to broaden access. The path ahead involves (1) integrating Reddit Answers more deeply into the overall Reddit experience—so users can ask follow-up questions directly to communities; (2) unifying it with Reddit's existing search capabilities to seamlessly deliver either a quick reference or a full conversation-based "answer"; and (3) eventually surfacing it at all user entry points (i.e. Google referrals). By grounding responses in authentic Reddit posts/comments, they believe Reddit Answers will remain distinctive compared to typical generative AI chat tools, and Reddit plans to finish key elements of this integration over the next few quarters. **2) Monetization & Advertising:** Mgmt. noted that they plan to capitalize on high-intent "seeker" traffic by refining the ad experience on conversation pages and further personalizing ads through machine learning. Looking ahead, they see opportunities in premium user features ("VIP" clubs for communities) and expanded data licensing, while continuing to refine self-serve tools for smaller advertisers and to broaden sales coverage. **3) Relationship with Google & AI Overviews:** On the Google/Reddit relationship, mgmt. noted that Google's goal is to deliver the highest-quality results, and as a result, Reddit's user-generated conversations remain uniquely valuable to Google. The company has not observed any negative traffic impact from Google's AI overviews (in fact, being referenced in an "answer" can put Reddit links above standard results) and believe that as long as users specifically want Reddit content, Google will continue routing valuable, high-intent traffic to the platform. **4) Product Direction:** Mgmt. underscored the importance of simplifying Reddit's interface to help users focus on the conversations that matter most. They referenced an immersive "Reddit Lite" or single-feed layout that they're currently testing with new and international users before a broader rollout, believing it will make navigation more intuitive for newcomers while preserving Reddit's core strength: deep, authentic, community-driven discussions.

Takeaways From LYFT:

We met with CEO David Risher. Here are our key takes: **1) LYFT is confident they will be a part of the AV future:** We believe there is a decent chance that LYFT could do a partnership/integration with Waymo or one of the key AV players in the future given LYFT's deep expertise in fleet management (FlexDrive driving ~90% utilization rates) & scale in the rideshare marketplace (completing roughly ~2MM Rides per day in NA). Management believes they can add huge value to the AV vendors given their expertise in maximizing demand, driving ETAs down, and dynamic pricing. In LYFT's view, they believe the AV players will more interested in partnering across the value chain instead of spending $Bs to build out their own in-house demand aggregator (after already spending $Bs to build out the AV tech). **2) Pricing Trends:** LYFT noted that UBER dropped pricing by ~HSD% at the end of Q4, dropping pricing to levels as low as early Jan '24 (broadly speaking, LYFT's pricing strategy is to match). Another factor is driving pricing down is improving driver supply levels (LYFT called out driver supply has never been stronger in the company's history). Management is confident in their ability to offset lower pricing thru higher ride volume, cost efficiencies, & better optimization to defend the bottom line. **3) LYFT believes they are gaining incremental share:** Management stated that their #1 competitor may be driving prices lower in reaction to LYFT's rising market share and improving service levels. LYFT highlighted that ETAs are now 1min faster than a year & 30seconds faster than UBER. Also LYFT called out improving cancellation rates, now at 4.8% as of a few weeks ago (vs. roughly 14% a year ago). We note that we have not seen any signs in the data that LYFT has been gaining market share (tho could be very LSD% share gains). **4) Offsetting Delta partnership headwinds:** Management is confident in their ability to offset the 1-2pt headwind from Delta partnership roll off (starting April 7th) and maintain their 20s% partnership rides framework that LYFT laid out at their recent investor day. LYFT believes they will be able to offset this headwind largely from driving deeper relationships with their existing partnership portfolio. Management highlighted the Dashpass partnership as an example, noting the partnership is off to a really strong start (delivering nearly ~8MM rides since inception). Management also sees room to add more partnerships to their existing partner portfolio. **5) Confident in driving down incentives:** Management reiterated their confidence in their ability to continue to drive down incentives noting they are still maintain their incentive efficiency gain goals despite lower industry pricing. **We maintain our In-Line rating on LYFT, tho we acknowledge the relative attractiveness of LYFT's valuation, and we see evidence of improved execution over the past year or so. We also continue to believe the "Robotaxi Roadkill" overhang on LYFT and on UBER has been overstated, creating potential catalysts for both names.**

Takeaways From GDDY:

We met with CFO Mark McCaffrey and IR Christie Masoner. Mgmt tone was positive, with Mr. McCaffrey stating that he has never been more excited about the company's positioning during his four-year tenure with GDDY. Here are our key takes: **1) Pricing/Bundling Opportunity in '25 (and Beyond).** While the company found significant success in '24 with its initial pricing/bundling initiatives (focused on productivity, with the pairing of productivity and security solutions resonating strongly), management continues to view pricing/bundling as multi-year journey. Though '25 initiatives will include focus on presence solutions, strategy is evolving to behavioral cohort-based tactics, with a longer-term goal of achieving "bespoke" pricing/packaging. For customers who selected bundles in '24, mgmt sees opportunity to drive incremental attach, via continued evolution of product bundles at renewal (e.g., if customer selected the "middle" bundle out of a good/better/best selection in '24, in '25 reposition the customer's chosen bundle as the lowest offering). **2) Airo.** Mgmt noted opportunity for Airo both as a product experience and as a distinct SKU, via Airo Plus, with the company essentially at the beginning of the Airo monetization journey—mgmt noted the company is only assuming modest Airo monetization contribution in '25. Premium logos represent the first significant proof point for the Airo Plus monetization strategy, and management noted that introducing Logos into the conversion path has thus far been successful in driving Premium Logo attach (and incremental monetization) without cannibalizing Websites + Marketing conversion uplift. **3) Margin Progression.** Mgmt's formula for NEBITDA margin expansion remains consistent, driven by mix shift (toward higher-margin A&C solutions), infrastructure efficiency, and the global talent resourcing model. Benefits of actions taken in '23 were more front-loaded, resulting in strong NEBITDA margin expansion in '24. For '25-'25, GDDY should see continued margin expansion benefit form A&C mix shift and remains on track to achieve 33% NEBITDA margin in '26. **4) Capital Allocation/ASR.** Though GDDY may be opportunistic from quarter-to quarter (as evidence by the recent ASR filing), capital allocation strategy remains generally consistent, targeted at the company's goal of driving a ~20% FCF/share CAGR. **Our View: We maintain a favorable view of GDDY fundamentals and execution quality and see a series of catalysts ahead in the form of continued pricing/bundling initiatives and Airo monetization, but our enthusiasm is tempered by modest category growth dynamics, and we view investment positives as mostly priced into the shares at current levels.**

Takeaways From CART:

We met with CFO Emily Reuter and IR Rebecca Yoshiyama. Here are our key takes: **1) Ad Revenue Outlook:** CART remains confident in its long-term ability to generate ad revenue levels at 4%-5% of GMV, noting that it is specifically guiding to ad revenue intensity rising in Q1 and that there are now close to 7,000 brands advertising on the platform. CART is also experiencing greater depth with its current advertising revenue partners. **2) Profitability Commitment:** CART remains focused on driving $ and Margin profitability expansion on a full year basis going forward, although quarterly trends could deviate. **3) Competitive & Supply Environment:** CART hasn't seen any material changes in its competitive environment over the last year, and it continues to see an ongoing healthy supply environment in terms of shoppers. **4) Performance Of Recent Cohorts:** CART has seen strong performance among its recent cohorts in terms of spend, frequency and retention and attributes it to an offering that has materially improved overtime, with more selection, lower cost delivery options, more substitution capabilities, and an overall higher quality service.

Takeaways From RBLX:

We met with CFO Mike Guthrie. Here are our key takes: **1) DAU levers to drive growth:** Management highlighted the three key levers to continue to drive DAU growth include: **i) Genre expansion:** expanding into genres such as sports, racing, and battle royale. **ii) growing users over the age of 13**, mgmt. noted continued strength in that category). and **iii) expanding internationally**, mgmt. noted Japan is a key market as the #3 gaming country vs. top 10ish for RBLX (in terms of GBs). **2) Advertising:** Overall, management's tone on the company's advertising progress was relatively muted. That said, they see significant opportunity ahead to increase monetization through ads. Most notably, in the near-term management sees room for RBLX to bring in more ad demand thru 3P channels & incremental partnerships. **3) OpEx Leverage & Headcount Growth:** Management noted they anticipate more leverage to be driven through fixed costs vs. variable costs. That said, RBLX noted they intend to maintain Headcount growth at roughly ~HSD%-LDD% in the future. Management highlighted they see a path to achieve roughly ~$2MM in GBs per head implying they see a path to be very efficient. **4) Potential for Bookings growth to outpace DAU growth:** While DAU growth and Bookings growth have been growing at roughly the same pace, management sees room for Bookings growth to outpace DAUs as the company continues to drive monetization. **5) Share dilution:** Management noted they will continue to track share dilution very carefully and believe 2%-2.5% share dilution is a reasonable framework for the future.

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