

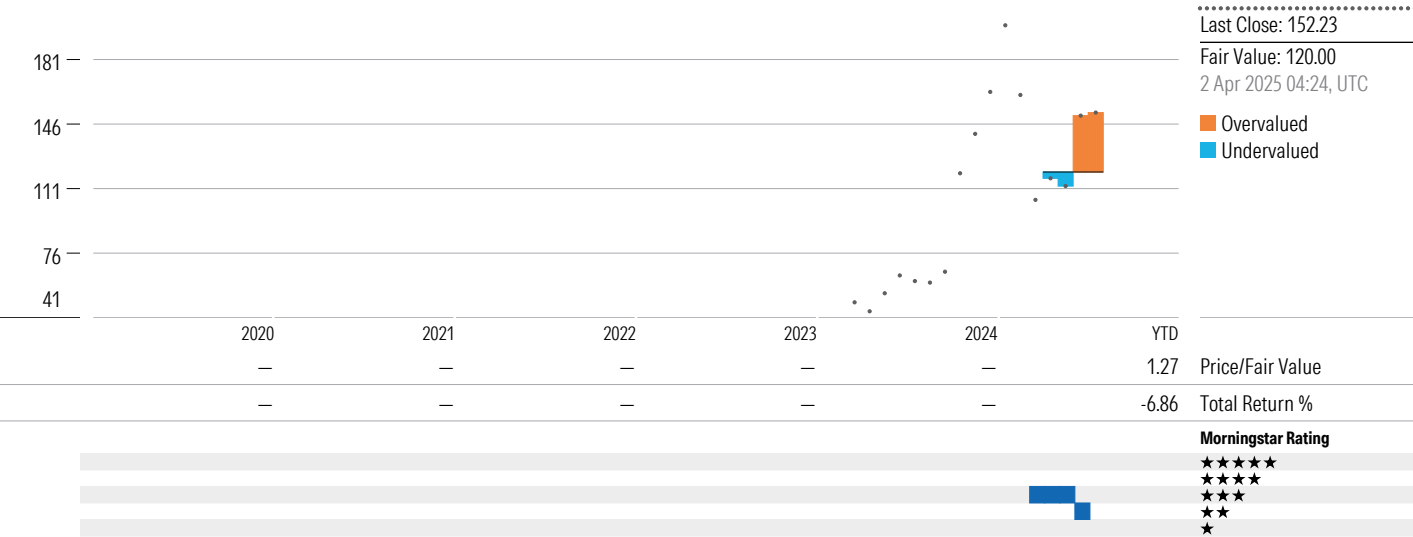
Reddit Inc Class A Shares

RDDT★★

2 Jul 2025 22:08, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment¹
152.23 USD 1 Jul 2025	120.00 USD 2 Apr 2025 04:24, UTC	1.27	29.40 USD Bil 2 Jul 2025	Narrow	Mid Growth	Very High	Standard	4 Jun 2025 05:00, UTC

Price vs. Fair Value



Total Return % as of 01 Jul 2025. Last Close as of 01 Jul 2025. Fair Value as of 2 Apr 2025 04:24, UTC.

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The primary analyst covering this company does not own its stock.

The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating.

We See Reddit Carving Out a Niche in a Crowded Digital Ad Market

Business Strategy & Outlook

Malik Ahmed Khan, CFA, Equity Analyst, 2 Apr 2025

We view Reddit as a differentiated social media platform centered around communities and shared interests called "subreddits." Users engage within these subreddits through posts and comments, creating valuable audience-generated data based on the users' explicit interest and intent.

This structure is particularly valuable to advertisers, as it gives them first-party contextual data to tailor their ad placements accurately. Additionally, many Redditors visit the platform actively seeking information or advice, giving advertisers a unique opportunity to engage with high-intent audiences in discovery mode who are actively researching products for reviews and feedback.

In a competitive landscape where many platforms vie for user attention and ad dollars (like Meta, Snapchat, and Pinterest), we believe Reddit's differentiation and valuable contextual data positions the company well to capture a growing share of digital ad spending.

Reddit's business strategy prioritizes growing daily active users through targeted international expansion, product innovation, and enhanced user experience. We are impressed with the company's localization efforts and artificial intelligence-driven multilingual support to help reduce language barriers, thus attracting a diverse and wider user base. We like Reddit's focus on adding innovative

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1 Jul 2025	2 Apr 2025 04:24, UTC		2 Jul 2025					

Sector	Industry	
Communication Services	Internet Content & Information	features, such as an immersive search, video integration, and gamified rewards, all of which help transform casual visitors to highly engaged daily users.

Business Description

Reddit is a social media platform where users can engage in conversations, explore, and create communities centered around their interests. Founded in 2005 by Steve Huffman and Alexis Ohanian, Reddit has evolved into a vast network of user-generated content organized into specialized forums known as "subreddits." The platform's unique community-driven model relies on volunteer moderators to manage content and maintain subreddit guidelines. Reddit generates revenue through advertising, Premium Memberships, and data licensing agreements.

On the monetization side, we expect Reddit to enhance its advertising platform through improved targeting capabilities and diversifying ad formats. We foresee that the company's strategic shift toward performance-based advertising can unlock higher-value commercial intent and drive more efficient click-through rates without overcrowding the user experience.

Looking ahead, we see potential to grow the data-licensing side of the business, as we view Reddit as a treasure trove of authentic and real-time user-generated data, which is in high demand among social listening and LLM training companies.

Bulls Say Malik Ahmed Khan, CFA, Equity Analyst, 2 Apr 2025

- ▶ Reddit's improved web platform, better ML-powered translation, and content recommendations will drive expansion into international markets, helping boost user growth
- ▶ Reddit has significant headroom to grow monetization through expanded ad formats like search and video, increasing ad load and improving ad targeting capabilities
- ▶ Reddit's vast repository of user-generated data is enticing for training LLMs and social listening, making it an increasingly valuable source to leverage as demand for high-quality conversational data grows

Bears Say Malik Ahmed Khan, CFA, Equity Analyst, 2 Apr 2025

- ▶ A sizable amount of traffic stems from Google search, making Reddit vulnerable to any unpredictable Google algorithm changes
- ▶ Increasing competition from larger players (Meta, TikTok, YouTube) to develop superior AI-based ad targeting tools could marginalize Reddit's appeal to advertisers
- ▶ Reddit's struggle to convert casual browsers (MAUs) into regular users (DAUs) limits its ability to command premium ad rates

Economic Moat Malik Ahmed Khan, CFA, Equity Analyst, 2 Apr 2025

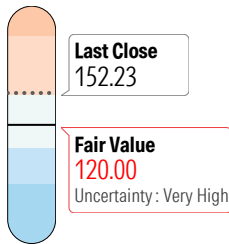
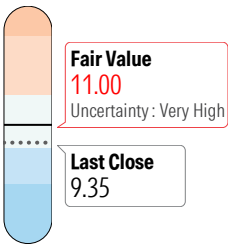
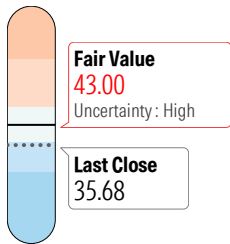
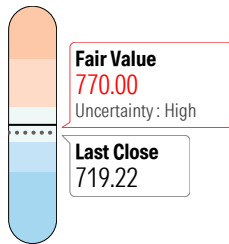
We believe Reddit merits a narrow economic moat, as the firm has displayed a network effect among its users and has begun to compile valuable user data, or intangible assets. Reddit competes with various digital advertising companies like Alphabet, Meta, Pinterest, and Snap, yet we believe its distinctive platform will enable it to secure an increasing share of advertiser budgets. We anticipate that strong user growth coupled with ongoing improvements in ad-targeting will help the firm monetize its network, thus allowing it to generate returns exceeding its cost of capital over the next decade.

Reddit is a community-driven platform that is centered around shared interests and groups, rather than those around personal networks. Instead of connecting primarily with friends and family (like on

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Competitors

	Reddit Inc Class A Shares RDDT	Snap Inc Class A SNAP	Pinterest Inc Class A PINS	Meta Platforms Inc Class A META
				
Economic Moat	Narrow	None	Narrow	Wide
Currency	USD	USD	USD	USD
Fair Value	120.00 2 Apr 2025 04:24, UTC	11.00 30 Apr 2025 08:41, UTC	43.00 9 Feb 2024 12:44, UTC	770.00 30 Jan 2025 05:26, UTC
1-Star Price	210.00	19.25	66.65	1,193.50
5-Star Price	60.00	5.50	25.80	462.00
Assessment	Overvalued 2 Jul 2025	Fairly Valued 2 Jul 2025	Undervalued 2 Jul 2025	Fairly Valued 2 Jul 2025
Morningstar Rating	★★ 2 Jul 2025 22:08, UTC	★★★ 2 Jul 2025 21:55, UTC	★★★★★ 2 Jul 2025 22:02, UTC	★★★ 2 Jul 2025 21:56, UTC
Analyst	Malik Ahmed Khan, Equity Analyst	Malik Ahmed Khan, Equity Analyst	Malik Ahmed Khan, Equity Analyst	Malik Ahmed Khan, Equity Analyst
Capital Allocation	Standard	Standard	Standard	Standard
Price/Fair Value	1.27	0.85	0.83	0.93
Price/Sales	18.72	2.83	6.65	11.00
Price/Book	12.65	6.82	5.15	9.81
Price/Earning	30.51	—	13.12	28.00
Dividend Yield	0.00%	0.00%	0.00%	0.29%
Market Cap	29.40 Bil	15.68 Bil	24.18 Bil	1,793.14 Bil
52-Week Range	49.13—230.41	7.08—17.33	23.68—44.06	442.65—747.90
Investment Style	Mid Growth	Mid Blend	Mid Blend	Large Blend

Facebook, Instagram, and Snapchat), users explore over 100,000-plus specialized communities called “subreddits,” where conversations are primarily in the form of a discussion board-like format. Unlike traditional social media, Reddit enables anonymous participation, which helps foster authentic discussions across a wide variety of topics. The popularity of Reddit’s user-generated content (comments, posts) is determined by voting by community members, and the highest-voted posts are shown first rather than an algorithm controlling the recommendations (as with TikTok and Instagram). Furthermore, each subreddit is shaped and governed by volunteer moderators who ensure that the content remains relevant and engaging. This structure creates an environment where people discover information, seek advice, and converse with others who share similar interests, all of which help grow the network.

Reddit, like other social media platforms, operates on an advertising-based revenue model, with a substantial 100-million plus daily active user base that includes many unique visitors, of which more

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than half were not active on TikTok, X, and Snapchat. From an advertiser's perspective, the limited overlap between the user base of Reddit and that of other social media platforms means that they can leverage Reddit for digital marketing initiatives that target a differentiated userbase.

First, the platform's niche communities, subreddits, enable hypertargeting outreach since audiences have already self-selected the subreddit they want to join based on their interests, thus allowing brands to deeply engage with audiences, ensuring the right person is receiving the relevant ad. This context and interest-based advertising approach is particularly valuable, with many Redditors report engaging with recommended content, and a large proportion of users pay more attention to ads on Reddit than other websites.

Second, Redditors value organic conversation and peer recommendations, meaning that sponsored posts resonate best when they feel like a natural part of the conversations. This makes brand promotions feel less intrusive and more like extensions of conversations already taking place within the communities.

Third, unlike other social media, people often visit Reddit with a purpose, whether it be seeking information, advice or product recommendations. This intent-driven usage allows brands to connect with potential customers who are already in a discovery mindset, reaching them at the moment they're open to finding new products or solutions. Brands benefit from these high-intent environments where most users consider Reddit a trustworthy source for product information and actively research purchase decisions.

Much like other moaty social media players, network effects arise from increased content on Reddit, which drives growth in users, and the addition of a new user and increased engagement per user makes the network more valuable, creating a flywheel effect. As the firm seeks to monetize this network, we see two key drivers. One, the firm can improve ad-targeting, making its ads more effective and pushing the return higher. In return, the social media firm can command higher prices per ad. Two, the social media platform can increase ad inventory, providing advertisers with more real estate on which to leverage different ad types.

Both of these actions yield the same net result—an increase in the firm's average revenue per user as more ad dollars flow to its platform. As we look at Reddit's monetization of its users, Reddit's enhanced ad formats and algorithm improvements are driving meaningful growth in monetization metrics. While Reddit currently monetizes at a lower rate than its competitors, Reddit has been steadily improving its advertising capabilities. For example, in the US, the ARPU reached \$22.16 in 2024, up from \$15.55 in 2021. We anticipate further ARPU gains as Reddit expands its lower funnel and performance-based ad products, leverages AI-driven targeting capabilities, and better monetizes international markets. This presents a clear opportunity to narrow the monetization gap relative to other user-generated content

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platforms.

We don't view digital advertising as a winner-takes-all arena. In fact, we believe advertisers are continually diversifying their spending across a range of digital and traditional channels to reach a broader audience. While Meta and Google do own a substantial share of the digital advertising market, advertisers are increasingly seeking alternative platforms to connect with distinct audience segments and maximize campaign effectiveness.

We view intangible assets as a moat source, stemming from access to data regarding user behavior, which can increase advertisers' return on investments, thus increasing their willingness to pay. As more users engage across Reddit's specialized subreddits, the quality of discussions improves enhancing user retention and generating better data insights for advertisers. This attracts a diverse set of advertisers and boosts ad revenue which allows Reddit to reinvest in product innovation such as AI-based content recommendations and enhanced search capabilities. We believe Reddit's community-driven platform strengthens its network effect through valuable intangible assets, stemming from the company's accumulation of valuable user data, which we think will soon be enhanced by increased video content and user engagement. Additionally, Reddit's extensive archive of authentic user interactions positions it for future growth in both advertising and data licensing.

Overall, we believe that Reddit has established a strong niche within the expansive digital advertising market. As the company continues to grow its user base, enhance engagement, and optimize ad monetization, we expect its presence to expand across the broader advertising landscape. We anticipate that these factors combined will enable Reddit to generate returns above its cost of capital over the next decade.

Fair Value and Profit Drivers Malik Ahmed Khan, CFA, Equity Analyst, 2 Apr 2025

Our fair value estimate for Reddit is \$120 per share, implying a 2025 enterprise value/sales multiple of 12 times and an enterprise value/adjusted EBITDA multiple of 37 times.

We forecast Reddit's revenue will grow at a 29% compound annual growth rate for the next five years, with a healthy mix of user growth and improved monetization driving the top-line expansion.

On the user growth side of things, Reddit's SEO strategies, platform improvements, and ML-driven translation are helping the company broaden into international markets. We have seen this play out well when the French translation was rolled out, after which the company saw a healthy uptick attributable to new French users. The firm's approach to using AI/ML to enhance content discovery and content recommendations should help user engagement and interactions. We believe this strategy to improve the user experience will help convert MAUs to DAUs and logged-out users to logged-in users. As such, we model DAUs to increase from 101 million in 2024 to 250 million by 2030.

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We attribute global ARPU growth (which we project to increase from \$12.78 in 2024 to \$29.65 in 2029) to a combination of monetization strategies. First, there is a significant opportunity to increase ad loads—the frequency of ads being displayed—which are currently half as light as peers. In addition, we see Reddit’s ad inventory—the space available to show ads—as nascent, and the company has sufficient bandwidth to grow the auction density. Second, Reddit’s focus on improving ad relevance and better targeting should boost click-through rates and overall ad pricing. Third, the company’s push to expand down funnel, which involves developing performance advertising products, should attract the conversion-focused advertisers who generally boast huge ad budgets.

On profitability, we expect Reddit to materially improve its operating margins over the next five years. In the short term, we expect margins to remain pressured from rising hosting costs and setting up infrastructure to handle richer media like image and video. Over time, we expect controlled headcount growth, operating discipline, and scalable ad-tech infrastructure to support strong operating margins. Our model points to non-GAAP operating margins of 39% in 2030, up from 21% in 2024. Higher-margin data licensing products should provide a nice upside to profitability as well.

Risk and Uncertainty Malik Ahmed Khan, CFA, Equity Analyst, 2 Apr 2025

We assign Reddit a Morningstar Uncertainty Rating of Very High.

We believe that while Reddit stands to benefit from increased digital ad spending, the firm’s presence in a competitive digital advertising market adds a layer of uncertainty around future returns. Given Reddit’s significantly smaller user base than internet and social media giants like Meta and Alphabet, it puts Reddit’s advertising revenues under threat if there is a weak macroeconomic digital ad spending environment. Specifically, there is a risk to Reddit’s core advertising business during downcycles, as advertisers may consolidate spending on ad properties provided by Meta and Alphabet.

Reddit has a long runway when it comes to user growth, most of which depends on international expansion. The risk lies in weak international growth on the back of a slower rollout of ML translation updates or user adoption. On Reddit’s monetization, which is still nascent compared with peers, there is execution risk surrounding the firm’s ability to convert the research and development investments and efforts into an improved ad stack.

The firm’s high dependence on user behavior data represents an environmental, social, and governance risk. If it fails to maintain adequate data privacy and security, Reddit’s business would likely suffer.

Capital Allocation Malik Ahmed Khan, CFA, Equity Analyst, 2 Apr 2025

We assign Reddit a Standard Capital Allocation Rating based on its sound balance sheet, fair investments, and appropriate shareholder distributions.

Reddit’s balance sheet remains strong. The firm carries more than \$1.8 billion in cash without any debt.

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We see Reddit continuing to generate positive free cash flows, and we don't expect Reddit to need to raise capital to run its operations.

With a strong balance sheet and positive cash generation, we believe Reddit is well-positioned to make investments to improve user engagement and monetization. We estimate most of the investments will be allocated to research and development to use AI/ML for translation to help international user growth, improving the platform interface and increasing user engagement. On the pricing side of things, we see the company focusing capital toward developing its ad stack and better ad targeting processes to improve monetization.

Reddit has not been an active acquirer of other companies, spending less than \$50 million over its lifetime. With respect to shareholder distributions, the firm hasn't declared nor do we expect it to start paying any dividends anytime soon. We'd expect any capital distributions in the years ahead to be done primarily via buybacks as a way of returning cash to shareholders over time.

Analyst Notes Archive

Reddit Earnings: Strong Momentum Continues, Delivers on Growth and Profitability Amid Macro Tensions

Malik Ahmed Khan, CFA,Equity Analyst,2 May 2025

Narrow-moat Reddit reported solid fiscal first-quarter results, with both revenue and profitability exceeding expectations. Shares traded 7% higher on the strong results as well as management guiding to a midpoint 50% year-on-year top-line growth for the next quarter. However, we believe demand uncertainty could lead to weaker near-term growth prospects amid a volatile macroeconomic environment, something that Reddit's peers like Snapchat alluded to this past week.If digital advertising budgets come under pressure, Reddit's weaker monetization engine may put it at a disadvantage against ad giants Meta and Alphabet. Based on this, we remain cautious, keep our fair value estimate of \$120, and view shares as fairly valued.Total revenue for the quarter was \$392 million, rising 61% year over year, driven by a 31% year-over-year increase in daily active users to 108 million. We continue to be impressed by Reddit's global expansion, as international DAUs grew 41% year over year, driven by investments in machine translation that reduce barriers to global user adoption.We continue to like the company's focus on both enhancing the user experience by making Reddit easier to use, and on the progress being made on integrating artificial intelligence search capabilities, as in the case of Reddit Answers.Average revenue per user, or ARPU, rose 23% to \$3.63, led by 31% growth in the US, its most monetized market, on the back of strong growth in impressions and monetization. Performance-based revenue showed substantial growth in the quarter, and a good tailwind from pricing lifted the ARPU. We are encouraged to see the mid- and lower-funnel contribution rise relative to the top funnel, since lower-funnel dollars are much stickier, and especially beneficial in a potentially tougher macroenvironment.On profitability, the adjusted EBITDA margin came in at 29%, up from 4% the previous year, showcasing that Reddit can scale revenue while keeping discipline on operating


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expenses.

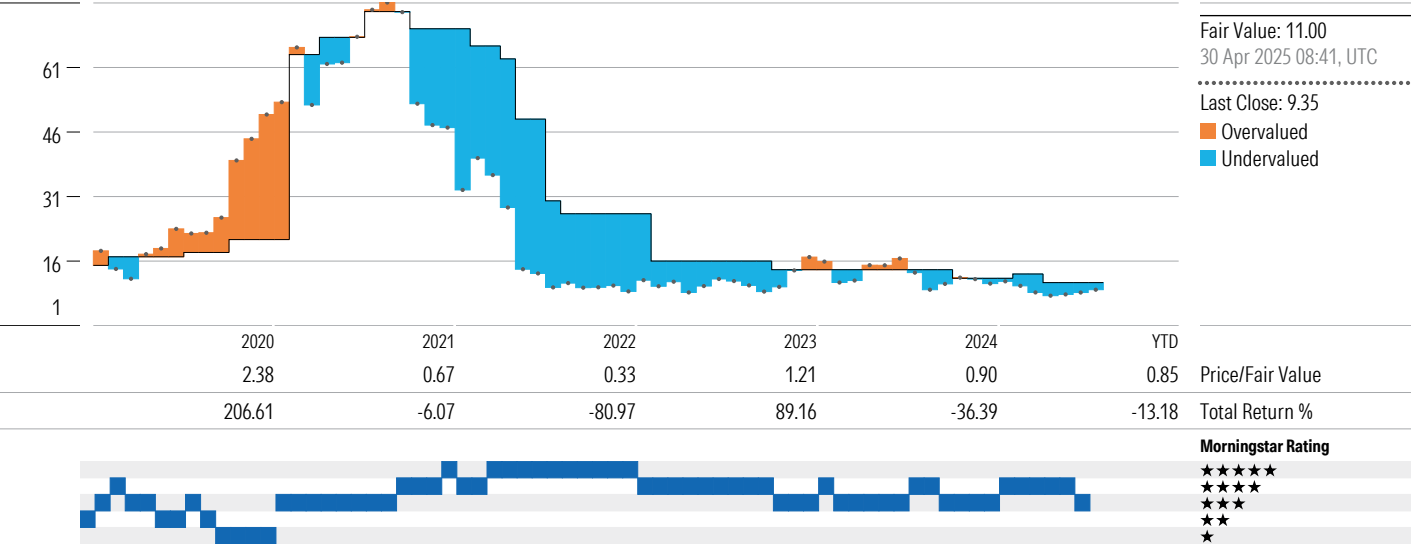
Reddit: We Launch Coverage With a \$120 Fair Value Estimate and a Narrow Moat Rating Malik
Ahmed Khan, CFA,Equity Analyst,2 Apr 2025

Reddit is a community-driven platform that is centered around shared interests and groups rather than personal networks. Instead of connecting primarily with friends and family (like on Facebook and Instagram), users explore over 100,000-plus specialized communities called “subreddits,” where conversations are primarily in the form of a discussion board-like format. We believe that this community-based environment drives robust engagement as well as creates a wealth of user insights that underpin the platform’s appeal.Reddit’s differentiated ecosystem creates value for both users and advertisers through better engagement and monetization opportunities. We forecast that a healthy mix of user growth and improved monetization should help revenue grow at a 29% compound annual growth rate for the next five years. With the stock price trading at \$110 at the time of writing, we view shares as fairly valued. We assign narrow moat, Very High Morningstar Uncertainty, and Standard Capital Allocation ratings for the firm.We model daily active users to increase from 101 million in 2024 to 250 million by 2030 through targeted international expansion, product innovation, and enhanced user experience. We believe Reddit’s focus on adding innovative features, such as an immersive search, video integration, and gamified rewards, will help transform casual visitors to highly engaged daily users.We estimate global average revenue per user will grow from \$12.78 in 2024 to \$29.65 in 2029, driven by monetization strategies. We see the company focusing capital toward developing its ad stack and better ad targeting processes to improve monetization.We currently see Reddit’s ad inventory—the space available to show ads—as nascent and believe the company has sufficient bandwidth to expand this auction density. Lastly, Reddit’s push to move down the funnel should help unlock additional advertising dollars from clients who are more focused on conversion rates rather than brand awareness. 

Reddit Inc Class A Shares RDDT ★★ 2 Jul 2025 22:08, UTC

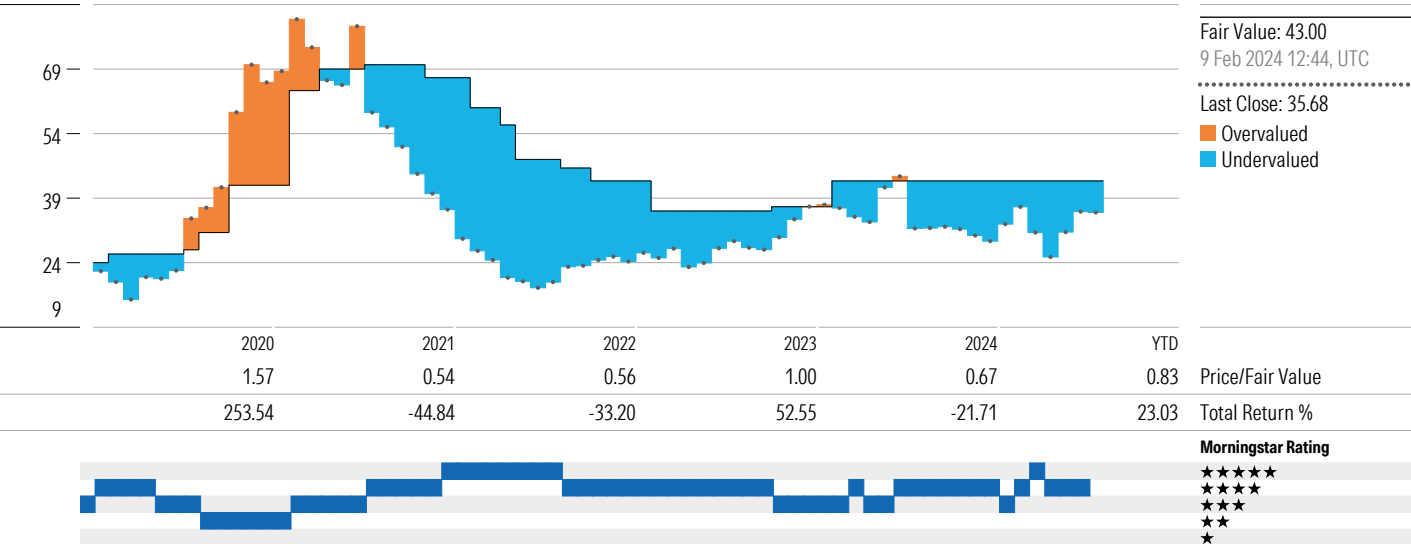
Competitors Price vs. Fair Value

Snap Inc Class A SNAP



Total Return % as of 01 Jul 2025. Last Close as of 01 Jul 2025. Fair Value as of 30 Apr 2025 08:41, UTC.

Pinterest Inc Class A PINS

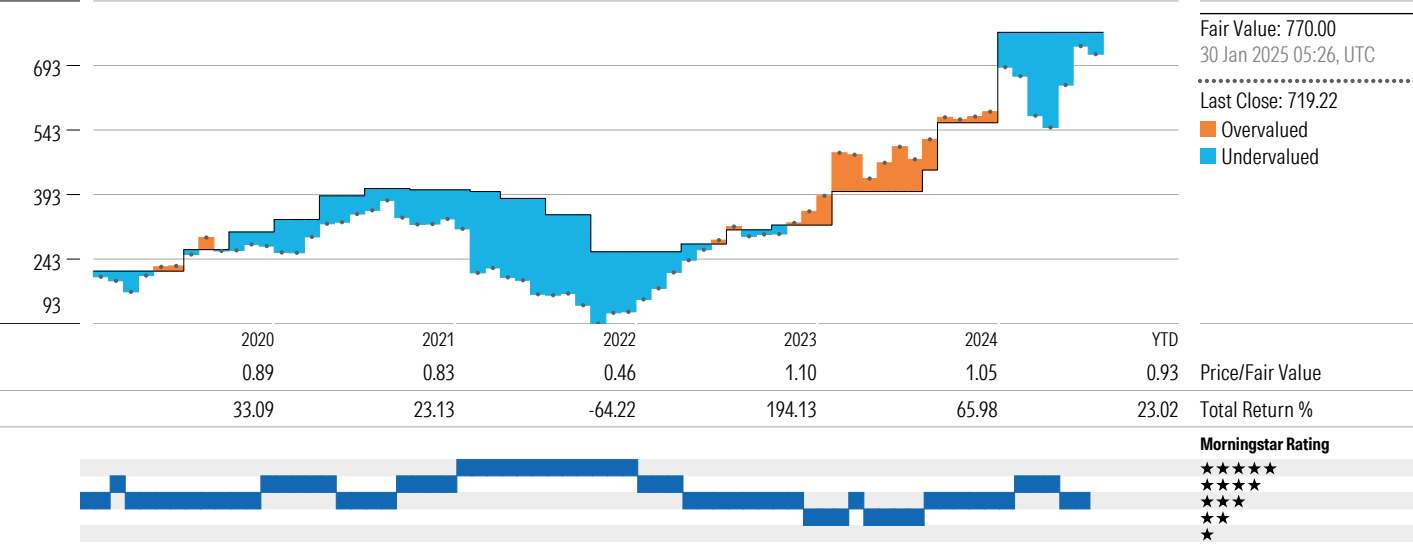


Total Return % as of 01 Jul 2025. Last Close as of 01 Jul 2025. Fair Value as of 9 Feb 2024 12:44, UTC.

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Competitors Price vs. Fair Value

Meta Platforms Inc Class A META



Total Return % as of 01 Jul 2025. Last Close as of 01 Jul 2025. Fair Value as of 30 Jan 2025 05:26, UTC.

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Morningstar Valuation Model Summary

Financials as of 01 May 2025

Fiscal Year, ends 31 Dec	Actual			Forecast				
	2022	2023	2024	2025	2026	2027	2028	2029
Revenue (USD K)	666,701	804,029	1,300,205	1,842,689	2,366,244	3,014,595	3,780,302	4,664,893
Operating Income (USD K)	-172,162	-140,161	-560,568	167,836	319,488	485,350	665,333	890,995
EBITDA (USD K)	-167,426	-153,901	-588,325	186,302	343,150	515,496	703,136	937,643
Adjusted EBITDA (USD K)	-167,426	-83,268	269,630	643,598	863,724	1,148,561	1,440,295	1,777,324
Net Income (USD K)	-158,550	-90,824	-484,276	241,912	371,914	499,815	661,800	864,895
Adjusted Net Income (USD K)	-158,550	-90,824	-484,276	241,912	371,914	499,815	661,800	864,895
Free Cash Flow To The Firm (USD K)	-210,175	-191,816	-687,070	54,594	200,522	326,771	469,643	659,191
Weighted Average Diluted Shares Outstanding (Mil)	57	59	145	200	202	204	206	207
Earnings Per Share (Diluted) (USD)	-2.77	-1.54	-3.33	1.21	1.84	2.45	3.22	4.18
Adjusted Earnings Per Share (Diluted) (USD)	-2.77	-1.54	-3.33	1.21	1.84	2.45	3.22	4.18
Dividends Per Share (USD)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Margins & Returns as of 01 May 2025

	3 Year Avg	Actual			Forecast					5 Year Avg
		2022	2023	2024	2025	2026	2027	2028	2029	
Operating Margin %	-28.8	-25.8	-17.4	-43.1	9.1	13.5	16.1	17.6	19.1	15.1
EBITDA Margin %	—	-25.1	-19.1	-45.3	10.1	14.5	17.1	18.6	20.1	—
Adjusted EBITDA Margin %	—	-25.1	-10.4	20.7	34.9	36.5	38.1	38.1	38.1	37.2
Net Margin %	-24.1	-23.8	-11.3	-37.3	13.1	15.7	16.6	17.5	18.5	16.3
Adjusted Net Margin %	-24.1	-23.8	-11.3	-37.3	13.1	15.7	16.6	17.5	18.5	16.3
Free Cash Flow To The Firm Margin %	-36.1	-31.5	-23.9	-52.8	3.0	8.5	10.8	12.4	14.1	9.8

Growth & Ratios as of 01 May 2025

	3 Year CAGR	Actual			Forecast					5 Year CAGR
		2022	2023	2024	2025	2026	2027	2028	2029	
Revenue Growth %	38.9	37.5	20.6	61.7	41.7	28.4	27.4	25.4	23.4	29.1
Operating Income Growth %	63.9	35.3	-18.6	300.0	-129.9	90.4	51.9	37.1	33.9	—
EBITDA Growth %	103.5	36.3	-8.1	282.3	-131.7	84.2	50.2	36.4	33.4	14.5
Adjusted EBITDA Growth %	-230.0	36.3	-50.3	-423.8	138.7	34.2	33.0	25.4	23.4	45.8
Earnings Per Share Growth %	14.2	24.0	-44.5	116.8	-136.3	52.2	33.2	31.3	29.7	—
Adjusted Earnings Per Share Growth %	14.2	24.0	-44.5	116.8	-136.3	52.2	33.2	31.3	29.7	—

Valuation as of 01 May 2025

	Actual			Forecast				
	2022	2023	2024	2025	2026	2027	2028	2029
Price/Earning	—	—	-49.1	131.7	86.6	65.0	49.5	38.1
Price/Sales	—	—	22.7	16.0	12.4	9.8	7.8	6.3
Price/Book	—	—	11.2	12.2	9.9	8.1	6.7	5.5
Price/Cash Flow	—	—	—	—	—	—	—	—
EV/EBITDA	—	—	102.9	42.7	31.8	23.9	19.1	15.5
EV/EBIT	—	—	-49.5	163.7	86.0	56.6	41.3	30.8
Dividend Yield %	—	—	—	—	—	—	—	—
Dividend Payout %	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow Yield %	—	—	—	—	—	—	—	—

Operating Performance / Profitability as of 01 May 2025

Fiscal Year, ends 31 Dec	Actual			Forecast				
	2022	2023	2024	2025	2026	2027	2028	2029
ROA %	-9.9	-5.7	-20.7	8.3	10.3	11.1	11.9	12.7
ROE %	-10.8	-6.3	-22.7	9.2	11.5	12.5	13.5	14.4
ROIC %	17.2	16.2	11.7	23.3	23.0	25.2	25.3	25.3

Reddit Inc Class A Shares RDDT ★★ 2 Jul 2025 22:08, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment¹
152.23 USD 1 Jul 2025	120.00 USD 2 Apr 2025 04:24, UTC	1.27	29.40 USD Bil 2 Jul 2025	Narrow	Mid Growth	Very High	Standard	4 Jun 2025 05:00, UTC

Financial Leverage (Reporting Currency)	Actual			Forecast				
	2022	2023	2024	2025	2026	2027	2028	2029
Fiscal Year, ends 31 Dec								
Debt/Capital %	—	—	0.1	0.0	0.0	0.0	0.0	0.0
Assets/Equity	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Net Debt/EBITDA	7.4	7.7	3.1	-12.0	-8.1	-6.7	-6.0	-5.6
Total Debt/EBITDA	-0.1	-0.3	0.1	0.0	0.0	0.0	0.0	0.0
EBITDA/ Net Interest Expense	11.8	1.6	-3.6	-8.6	-12.0	-16.4	-20.6	-25.4

Forecast Revisions as of 2 May 2025	2025		2026		2027	
Prior data as of 1 Apr 2025	Current	Prior	Current	Prior	Current	Prior
Fair Value Estimate Change (Trading Currency)	120.00	120.48	—	—	—	—
Revenue (USD Mil)	1,843	1,808	2,366	2,322	3,015	2,958
Operating Income (USD Mil)	168	147	319	317	485	497
EBITDA (USD Mil)	644	589	864	850	1,149	1,148
Net Income (USD Mil)	242	217	372	369	500	510
Earnings Per Share (Diluted) (USD)	1.21	1.08	1.84	1.83	2.45	2.50
Adjusted Earnings Per Share (Diluted) (USD)	1.21	1.08	1.84	1.83	2.45	2.50
Dividends Per Share (USD)	0.00	0.00	0.00	0.00	0.00	0.00

Key Valuation Drivers as of 01 May 2025

Cost of Equity %	9.0
Pre-Tax Cost of Debt %	6.5
Weighted Average Cost of Capital %	9.0
Long-Run Tax Rate %	21.0
Stage II EBI Growth Rate %	13.5
Stage II Investment Rate %	50.0
Perpetuity Year	15

Additional estimates and scenarios available for download at <https://pitchbook.com/>.

Discounted Cash Flow Valuation as of 01 May 2025

	USD Mil
Present Value Stage I	4,859
Present Value Stage II	2,607
Present Value Stage III	14,236
Total Firm Value	21,702
Cash and Equivalents	1,841
Debt	0
Other Adjustments	0
Equity Value	23,543
Projected Diluted Shares	201
Fair Value per Share (USD)	120.00

Reddit Inc Class A Shares RDDT ★★ 2 Jul 2025 22:08, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment¹
152.23 USD 1 Jul 2025	120.00 USD 2 Apr 2025 04:24, UTC	1.27	29.40 USD Bil 2 Jul 2025	Narrow	Mid Growth	Very High	Standard	4 Jun 2025 05:00, UTC

ESG Risk Rating Breakdown

Exposure

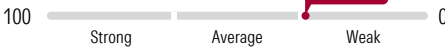
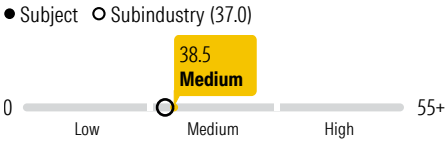
Company Exposure¹	38.5
- Manageable Risk	35.8
Unmanageable Risk²	2.7

Management

Manageable Risk	35.8
- Managed Risk³	8.8
Management Gap⁴	27.0

Overall Unmanaged Risk

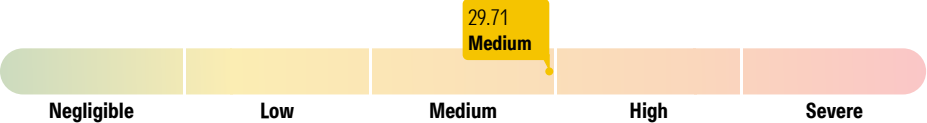
29.7



- Exposure represents a company's vulnerability to ESG risks driven by their business model
- Exposure is assessed at the Subindustry level and then specified at the company level
- Scoring ranges from 0-55+ with categories of low, medium, and high-risk exposure

- Management measures a company's ability to manage ESG risks through its commitments and actions
- Management assesses a company's efficiency on ESG programs, practices, and policies
- Management score ranges from 0-100% showing how much manageable risk a company is managing

ESG Risk Rating



ESG Risk Ratings measure the degree to which a company's value is impacted by environmental, social, and governance risks, by evaluating the company's ability to manage the ESG risks it faces.

1. A company's Exposure to material ESG issues 2. Unmanageable Risk refers to risks that are inherent to a particular business model that cannot be managed by programs or initiatives 3. Managed Risk = Manageable Risk multiplied by a Management score of 24.5% 4. Management Gap assesses risks that are not managed, but are considered manageable 5. ESG Risk Rating Assessment = Overall Unmanaged Risk = Management Gap plus Unmanageable Risk

ESG Risk Rating Assessment⁵



ESG Risk Rating is of Jun 04, 2025. Highest Controversy Level is as of Jun 08, 2025. Sustainalytics Subindustry: Internet Software and Services. Sustainalytics provides Morningstar with company ESG ratings and metrics on a monthly basis and as such, the ratings in Morningstar may not necessarily reflect current Sustainalytics' scores for the company. For the most up to date rating and more information, please visit: sustainalytics.com/esg-ratings/.

Peer Analysis 04 Jun 2025

Peers are selected from the company's Sustainalytics-defined Subindustry and are displayed based on the closest market cap values

Company Name	Exposure	Management	ESG Risk Rating
Reddit Inc	38.5 Medium 0 —●— 55+	24.5 Weak 100 —●— 0	29.7 Medium 0 —●— 40+
Meta Platforms Inc	49.7 Medium 0 —●— 55+	36.9 Average 100 —●— 0	32.7 High 0 —●— 40+
Snap Inc	39.3 Medium 0 —●— 55+	52.9 Strong 100 —●— 0	20.0 Medium 0 —●— 40+
Pinterest Inc	35.3 Medium 0 —●— 55+	53.2 Strong 100 —●— 0	17.9 Low 0 —●— 40+
Huuuuge Inc	20.2 Low 0 —●— 55+	26.1 Average 100 —●— 0	15.2 Low 0 —●— 40+

Appendix

Historical Morningstar Rating

Reddit Inc Class A Shares RDDT 2 Jul 2025 22:08, UTC

Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
—	—	—	—	—	★★	★★★	★★★	★★★	—	—	—
Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
—	—	—	—	—	—	—	—	—	—	—	—
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
—	—	—	—	—	—	—	—	—	—	—	—
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
—	—	—	—	—	—	—	—	—	—	—	—
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
—	—	—	—	—	—	—	—	—	—	—	—
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
—	—	—	—	—	—	—	—	—	—	—	—

Snap Inc Class A SNAP 2 Jul 2025 21:55, UTC

Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
—	—	—	—	—	★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★
Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
★★★	★★★	★★★	★★★★	★★★★	★★★	★★★	★★★	★★★	★★★	★★★★	★★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★★	★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★	★★★★	★★★★★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★★★★	★★★★	★★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
★	★	★	★★	★★★	★★	★★	★★★	★★★	★★★★	★★★	★★

Pinterest Inc Class A PINS 2 Jul 2025 22:02, UTC

Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
—	—	—	—	—	★★★★	★★★★	★★★★	★★★★★	★★★★	★★★	★★★★
Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★	★★★	★★★★	★★★	★★★	★★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★★	★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★★★	★★★★	★★★★	★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★★★★	★★★★	★★★★	★★★★	★★★★	★★★	★★★	★★★	★★★	★★★	★★	★★
Dec 2020	Nov 2020	Oct 2020	Sep 2020	Aug 2020	Jul 2020	Jun 2020	May 2020	Apr 2020	Mar 2020	Feb 2020	Jan 2020
★★	★★	★★	★★	★★★	★★★	★★★	★★★★	★★★★	★★★★	★★★★	★★★

Meta Platforms Inc Class A META 2 Jul 2025 21:56, UTC

Dec 2025 —	Nov 2025 —	Oct 2025 —	Sep 2025 —	Aug 2025 —	Jul 2025 ★★★	Jun 2025 ★★★	May 2025 ★★★★	Apr 2025 ★★★★	Mar 2025 ★★★★	Feb 2025 ★★★	Jan 2025 ★★★
Dec 2024 ★★★	Nov 2024 ★★★	Oct 2024 ★★★	Sep 2024 ★★★	Aug 2024 ★★	Jul 2024 ★★	Jun 2024 ★★	May 2024 ★★	Apr 2024 ★★★★	Mar 2024 ★★	Feb 2024 ★★	Jan 2024 ★★
Dec 2023 ★★★	Nov 2023 ★★★	Oct 2023 ★★★	Sep 2023 ★★★	Aug 2023 ★★★	Jul 2023 ★★★	Jun 2023 ★★★	May 2023 ★★★	Apr 2023 ★★★★	Mar 2023 ★★★★	Feb 2023 ★★★★	Jan 2023 ★★★★★
Dec 2022 ★★★★★	Nov 2022 ★★★★★	Oct 2022 ★★★★★	Sep 2022 ★★★★★	Aug 2022 ★★★★★	Jul 2022 ★★★★★	Jun 2022 ★★★★★	May 2022 ★★★★★	Apr 2022 ★★★★★	Mar 2022 ★★★★★	Feb 2022 ★★★★★	Jan 2022 ★★★★★
Dec 2021 ★★★★★	Nov 2021 ★★★★★	Oct 2021 ★★★★★	Sep 2021 ★★★	Aug 2021 ★★★	Jul 2021 ★★★	Jun 2021 ★★★	May 2021 ★★★★	Apr 2021 ★★★★	Mar 2021 ★★★★	Feb 2021 ★★★★	Jan 2021 ★★★★★
Dec 2020 ★★★	Nov 2020 ★★★	Oct 2020 ★★★	Sep 2020 ★★★	Aug 2020 ★★★	Jul 2020 ★★★	Jun 2020 ★★★	May 2020 ★★★	Apr 2020 ★★★	Mar 2020 ★★★★	Feb 2020 ★★★	Jan 2020 ★★★

Research Methodology for Valuing Companies

Overview

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, in-depth competitive advantage analysis, and a variety of other analytical tools to augment this process. Moreover, we think analyzing valuation through discounted cash flows presents a better lens for viewing cyclical companies, high-growth firms, businesses with finite lives (e.g., mines), or companies expected to generate negative earnings over the next few years. That said, we don't dismiss multiples altogether but rather use them as supporting cross-checks for our DCF-based fair value estimates. We also acknowledge that DCF models offer their own challenges (including a potential proliferation of estimated inputs and the possibility that the method may miss short-term market-price movements), but we believe these negatives are mitigated by deep analysis and our long-term approach.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk adjusted discount to their fair values, whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our single-point star rating.

1. Economic Moat

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a

long period of time. We define economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

When considering a company's moat, we also assess whether there is a substantial threat of value destruction, stemming from risks related to ESG, industry disruption, financial health, or other idiosyncratic issues. In this context, a risk is considered potentially value destructive if its occurrence would eliminate a firm's economic profit on a cumulative or midcycle basis. If we deem the probability of occurrence sufficiently high, we would not characterize the company as possessing an economic moat.

2. Estimated Fair Value

Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

Stage I: Explicit Forecast

In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in working capital accounts, and capital spending. Based on these projections, we calculate earnings before interest,

after taxes (EBI) and the net new investment (NNI) to derive our annual free cash flow forecast.

Stage II: Fade

The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital (RONIC), and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until a perpetuity value is calculated. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

Stage III: Perpetuity

Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term, market-value weights.

3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating is designed to capture the range of potential outcomes for a company's intrinsic value. This rating is used to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating is aimed at identifying the confidence we should have in assigning a fair value estimate for a given stock.

Our Uncertainty Rating is meant to take into account anything that can increase the potential dispersion of future

Morningstar Equity Research Star Rating Methodology



Research Methodology for Valuing Companies

outcomes for the intrinsic value of a company, and anything that can affect our ability to accurately predict these outcomes. The rating begins with a suggested rating produced by a quantitative process based on the trailing 12-month standard deviation of daily stock returns. An analyst overlay is then applied, with analysts using the suggested rating, historical rating data, and their own knowledge of the company to inform them as they make the final Uncertainty Rating decision. Ultimately, the rating decision rests with the analyst. Analysts take into account many characteristics when making their final decision, including cyclical factors, operational and financial factors such as leverage, company-specific events, ESG risks, and anything else that might increase the potential dispersion of future outcomes and our ability to estimate those outcomes.

Our recommended margin of safety—the discount to fair value demanded before we'd recommend buying or selling the stock—widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the potential dispersion of outcomes, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the Uncertainty Rating provides guidance in portfolio construction based on risk tolerance.

Our Uncertainty Ratings are: Low, Medium, High, Very High, and Extreme.

Margin of Safety		
Qualitative Analysis	★★★★★ Rating	★ Rating
Uncertainty Ratings		
Low	20% Discount	25% Premium
Medium	30% Discount	35% Premium
High	40% Discount	55% Premium
Very High	50% Discount	75% Premium
Extreme	75% Discount	300% Premium

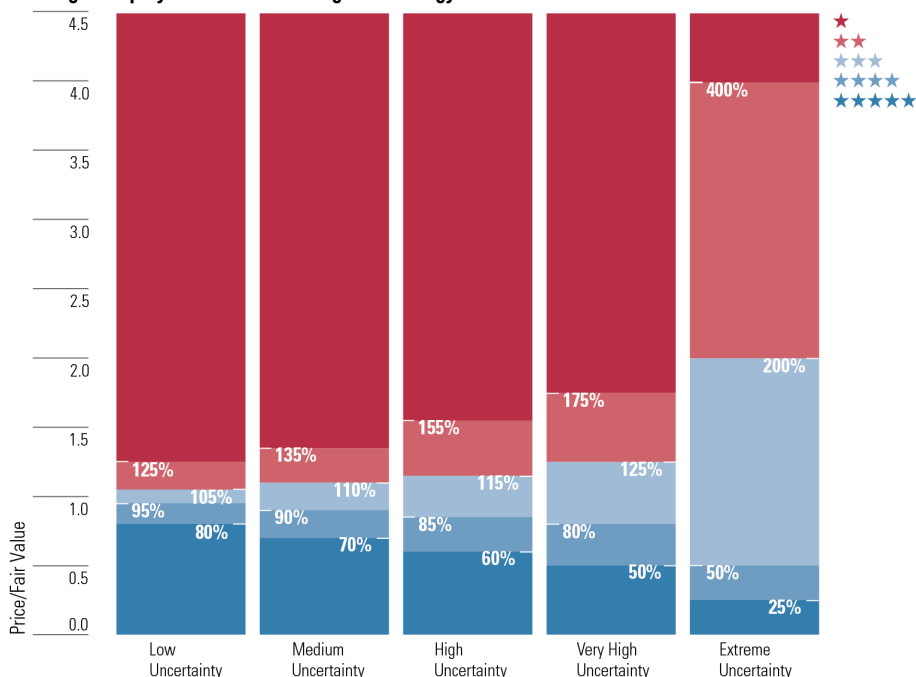
Our uncertainty rating is based on the interquartile range, or the middle 50% of potential outcomes, covering the 25th percentile–75th percentile. This means that when a stock hits 5 stars, we expect there is a 75% chance that the intrinsic value of that stock lies above the current market price. Similarly, when a stock hits 1 star, we expect there is a 75% chance that the intrinsic value of that stock lies below the current market price.

4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed which we believe is a reliable source.

For more details about our methodology, please go to <https://shareholders.morningstar.com>

Morningstar Equity Research Star Rating Methodology



Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open. Our analysts keep close tabs on the companies they follow, and, based on thorough and ongoing analysis, raise or lower their fair value estimates as warranted.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk-adjusted return is highly likely over a multiyear time frame. Scenario analysis developed by our analysts indicates that the current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multi-year time frame, based on our analysis. Scenario analysis by our analysts indicates that the market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

Other Definitions

Last Price: Price of the stock as of the close of the market of the last trading day before date of the report.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments,

Research Methodology for Valuing Companies

and shareholder distributions. Analysts consider companies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exemplary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

Capital Allocation (or Stewardship) analysis published prior to Dec. 9, 2020, was determined using a different process. Beyond investment strategy, financial leverage, and dividend and share buyback policies, analysts also considered execution, compensation, related party transactions, and accounting practices in the rating.

Capital Allocation Rating: Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments, and shareholder distributions. Analysts consider companies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exemplary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

Capital Allocation (or Stewardship) analysis published prior to Dec. 9, 2020, was determined using a different process. Beyond investment strategy, financial leverage, and dividend and share buyback policies, analysts also considered execution, compensation, related party transactions, and accounting practices in the rating.

Sustainalytics ESG Risk Rating Assessment: The ESG Risk Rating Assessment is provided by Sustainalytics; a Morningstar company.

Sustainalytics' ESG Risk Ratings measure the degree to which company's economic value at risk is driven by environment, social and governance (ESG) factors.

Sustainalytics analyzes over 1,300 data points to assess a company's exposure to and management of ESG risks. In other words, ESG Risk Ratings measures a company's unmanaged ESG Risks represented as a quantitative score.

Unmanaged Risk is measured on an open-ended scale starting at zero (no risk) with lower scores representing less unmanaged risk and, for 95% of cases, the unmanaged ESG Risk score is below 50.

Based on their quantitative scores, companies are grouped into one of five Risk Categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a 'high risk' assessment reflects a comparable degree of unmanaged ESG risk across all subindustries covered.

The ESG Risk Rating Assessment is a visual representation of Sustainalytics ESG Risk Categories on a 1 to 5 scale. Companies with Negligible Risk = 5 Globes, Low Risk = 4, Medium Risk = 3 Globes, High Risk = 2 Globes, Severe Risk = 1 Globe. For more information, please visit sustainalytics.com/esg-ratings/

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