

**S&P Global**  
Market Intelligence

# Nextdoor Holdings, Inc.

NYSE:KIND

## *Earnings Call*

*Wednesday, August 7, 2024 10:00 PM GMT*

CALL PARTICIPANTS	2
PRESENTATION	3
QUESTION AND ANSWER	7

# Call Participants

---

## EXECUTIVES

**John T. Williams**

*Head of Investor Relations*

**Matt Anderson**

*CFO & Treasurer*

**Nirav N. Tolia**

*Co-Founder, CEO, President & Chairperson of the Board*

## ANALYSTS

**Eric James Sheridan**

*Goldman Sachs Group, Inc.,  
Research Division*

**Youssef Houssaini Squali**

*Truist Securities, Inc., Research  
Division*

# Presentation

---

## Operator

Good afternoon. Thank you for attending the Nextdoor Second Quarter 2024 Earnings Call. My name is Cameron, and I'll be your moderator for today.

[Operator Instructions] I would now like to pass the conference over to your host, John T. Williams, Head of Investor Relations.

You may proceed.

## John T. Williams

*Head of Investor Relations*

Thank you, operator. I'm John T. Williams, Head of Investor Relations. Good afternoon, and thank you for joining us to review Nextdoor's second Quarter 2024 financial results. With us on the call today are Nirav Tolia, Chief Executive Officer; and Matt Anderson, Chief Financial Officer.

During this call, we may make statements related to our business that are forward-looking statements under federal securities laws. These statements are not guarantees of future performance. They are subject to a variety of risks and uncertainties. Our actual results could differ materially from expectations reflected in any forward-looking statements.

For a discussion of the material risks and other important factors that could affect our actual results, please refer to our SEC filings available on the SEC's website and in the Investor Relations section of our website as well as the risks and other important factors discussed in today's earnings release. Additionally, non-GAAP financial measures will be discussed on today's conference call. A reconciliation of these measures to their most directly comparable GAAP financial measures can be found in the Q2 2024 shareholder letter released today. With that, I'd like to turn the call over to Nirav.

## Nirav N. Tolia

*Co-Founder, CEO, President & Chairperson of the Board*

Thank you, John T., and good afternoon, everyone. I'm happy to be here with you today to discuss our second quarter financial results and outlook.

We had another productive quarter and have made solid progress since we last spoke in May.

Some of that progress is visible in our Q2 results, and some of it is embedded in our outlook for Q3 and the rest of 2024.

But the most important work, revitalizing our core product, will become more clear in 2025.

Our team is working to adopt the Founder's Mentality we talked about last quarter and is committed to taking on the challenge of transforming our user experience for the long term while remaining focused on execution in 2024.

This effort is evident in our Q2 performance and results.

There are 2 areas in particular that I would like to highlight.

First, we are driving growth. Revenue grew 11% year-over-year in Q2. Weekly active users or WAU reached more than 45 million. The new capabilities of our Nextdoor Ads Platform played an important role here as it enabled greater self-serve adoption, better advertiser performance and increased revenue retention.

Second, we are doing more with less. More effective allocation of resources plus a reduction in costs resulted in better employee productivity and margins. In Q2, we realized 23 percentage points of year-

over-year adjusted EBITDA margin improvement, giving us the confidence to raise our full year financial guidance. Matt will discuss this in greater detail shortly.

Now I would like to step back from the quarter and take a longer-term view, which begins with our clear and unwavering commitment to local, an area we believe represents a massive business opportunity.

Building the essential neighborhood network is the focus of everything we do, and our goal is to make Nextdoor a core part of everyone's local life.

This ambition will require a complete transformation of our user experience, and we call this effort NEXT.

By combining our deep expertise in local with a new and significantly improved user experience, we know that we can build a product that will delight users and advertisers, drive profitable growth and increase shareholder value over time.

As I mentioned above, we are approaching this challenge with a Founder's Mentality, which is at the core of everything we're doing both philosophically and practically.

As a reminder, the Founder's Mentality has 3 defining traits.

The first is to define a clear and ambitious mission that provides us with focus and purpose. For Nextdoor, that means leveraging the power of technology to create the essential neighborhood network that enables stronger, safer and happier places to call home.

The second is to have an obsession with the details, particularly around our user experience. We believe that the magic is in the details and have redoubled our efforts to create a product that delights users and advertisers every single time they engage with Nextdoor.

The third and final trait is to adopt an owner's mindset, which drives urgency and a bias towards action. We want to be lean, hungry and ready to do more with less, as demonstrated by our improved employee productivity and progress towards positive free cash flow.

There are a few people who exemplify the Founder's Mentality as well as the 4 executives who we recently added to our Board of Directors: Marissa Mayer, Niraj Shah, Robert Hohman and Elisa Steele. They each bring a passion for our mission, focus on product and experience operating technology companies at scale. We are looking forward to working with them to achieve our potential.

And that potential is significant.

We have a large and engaged user base, differentiated first-party data and a growing list of advertisers who are realizing increased ROI. I'm encouraged by the work we've done since I returned as CEO but will note again that our most significant mechanism for generating long-term benefit is the revitalization of our core product.

And it's still very early in that journey. Unlocking our platform's full value will require patience and resolve. And this transformation process, as with most, will be neither linear nor straightforward. As such, we do not expect to see meaningful signs of product-related progress until mid-2025.

We are approaching this challenge with the right blend of humility and optimism. The effort will be substantial, but the prize on the other side is incredibly worthwhile: a revitalized product, a renewed growth trajectory and a reinvigorated company.

With that, I'll turn it over to Matt to discuss our financial results.

**Matt Anderson**  
*CFO & Treasurer*

Thank you, Nirav, and good afternoon, everyone.

In Q2, the number of new users joining Nextdoor increased significantly year-over-year, and nearly all came via word of mouth or unpaid acquisition channels. These new Verified Neighbors provided a solid

foundation for growth in Q2 as WAU reached 45 million, an increase of 8% year-over-year. We saw particular strength in the U.S., where WAU grew 12% year-over-year.

Our growth reflected early progress engaging new and inactive users and enhancing notification relevance and quality. For example, in Q2, we made it easier for some inactive users who clicked on notifications to experience Nextdoor without being logged in first, which made them more likely to log in and stay.

Consistent with recent quarters, users engaged with more content during each visit to the Nextdoor platform. Session depth, which reflects the number of ad impression opportunities during each user session, continued to grow significantly year-over-year in Q2. We're making progress delivering better content to users, but as Nirav noted, we still have much more work to do to improve our core product experience.

Q2 revenue of \$63 million grew 11% year-over-year, reflecting continued momentum in our self-serve channel, where an increasing mix of advertisers are benefiting from improved functionality and performance on the Nextdoor Ads Platform.

Advertisers expect performance and ease of use, and we are making progress delivering both. Enhanced audiences, improved reporting and more efficient ad delivery are already driving better outcomes for advertisers and increasing revenue for Nextdoor. In Q2, mid-market revenue retention improved year-over-year. Average spend levels increased from new advertisers year-over-year, and nearly 50% of revenue came from self-serve advertisers.

As with our core user experience, our work to deliver more value to advertisers is far from done. We remain focused on bringing more capabilities to our managed enterprise and mid-market advertisers. As we continue that work, we are encouraged by our top 50 advertiser retention, which improved to 96% in Q2, up from 92% in Q1.

As Nirav highlighted, we are doing more with less and are generating more operating leverage. Our Q2 adjusted EBITDA loss was \$6 million. Productivity, as measured by revenue per employee, improved more than 50% year-over-year. We expect this leverage will persist through the remainder of the year as we operate with a leaner and more focused team, increased marketing discipline and the benefit of reduced rent expense. Alongside these improvements, we reduced stock-based compensation expense by 25% in Q2.

We ended the quarter with \$457 million in cash, cash equivalents and marketable securities and 0 debt.

In Q2, we reduced fully diluted share count by 5%. We repurchased 18 million shares for \$44 million. Additionally, we reduced the number of potentially dilutive securities by 12% in conjunction with our reduction in stock-based compensation and employee equity grants. Both actions align with our long-term capital allocation strategy.

At the end of Q2, our current share repurchase authorization had \$119 million remaining, and we have remained buyers of our shares quarter-to-date.

One final note. As we briefly mentioned on our Q1 earnings call, we recognized a onetime restructuring charge of \$26 million in Q2. \$3 million of this expense was in connection with reductions in our team size. The remaining \$23 million related to office space reductions. Excluding these onetime charges, total cost and expenses in Q2 declined by 12% year-over-year. We do not expect any further related charges at this time.

Now on to our outlook and financial guidance.

For the full year 2024, we expect revenue growth of approximately 10% year-over-year. We expect adjusted EBITDA margin improvement approaching 20 percentage points year-over-year compared to our prior expectation of a 15 percentage point improvement.

For Q3, we expect revenue of approximately \$62 million and an adjusted EBITDA loss of approximately \$8 million.

We continue to expect to generate positive free cash flow in Q4 of this year. We also remain committed to continually clarifying our long-term growth and margin trajectory.

Our focus is on allocating resources toward growth, consistently delivering more value for advertisers and transforming our product experience through our NEXT initiative. NEXT aspires to create a significantly better product, and in turn, create substantial shareholder value over time.

We look forward to keeping you updated on our progress.

Thanks for joining our earnings call today. I'll now turn it over to the operator to begin Q&A.

## Question and Answer

---

### Operator

[Operator Instructions] The first question is from the line of Youssef Squali with Truist.

### Youssef Houssaini Squali

*Truist Securities, Inc., Research Division*

Just a couple of questions around maybe the macro in Europe. Can you talk a little bit about what you're seeing in terms of just kind of the puts and takes at a macro level at a time when you guys are actually showing pretty material improvement? How much of that do you believe is kind of product-led versus maybe increase in marketing efficiency? And second, as you look -- I know you're not guiding quite to 2025. But as you look at the cost efficiencies that you've realized that you're showing with expectations of positive adjusted EBITDA in Q4, should we expect that to be sustainable for full year 2025?

### Nirav N. Tolia

*Co-Founder, CEO, President & Chairperson of the Board*

Thank you for the question, Youssef. And let me just hit a couple of those things that you mentioned. First, on the macro. We've mentioned a couple of times this idea of the Founder's Mentality. And one of the things that you do as a founder is you focus on the things you can control. For us, that's actually not the macro. That's what we do internally.

And so anything that you see from us is primarily driven by our ability to execute and do a good job on the things that we can control. There is a lot of stuff that's going on, on the macro. Sometimes it can lift us a little bit. Sometimes it can provide a little bit of current against. But what we're trying to focus on is what can we do to better serve our users and advertisers. And I'm encouraged that we're on a pretty good path from that perspective.

Let me now talk a little bit about the rest of the year and into 2025, and you mentioned cost efficiency. So again, the Founder's Mentality is about doing more with less. So we will make -- managing our business in a disciplined and frugal way. We'll just kind of wrap that into everything we do. It's not going to be a onetime thing or something that we do just this year or just in 2025.

That said, I have to say, our real focus is on growth. Our real focus is on revitalizing our product. Our real focus is on trying to capture the potential that we believe we have but is not captured today by our existing product. And so while we can tighten the bolts and we can run our business more effectively and we've tried to do that, our real focus is on unlocking value and turning that value into being a real growth business. And the only way we can do that is with a better product. And so that is where our primary focus is.

### Matt Anderson

*CFO & Treasurer*

This is Matt. I'll jump in there as well. So a couple of points, too. With regards to macro, I mean here is just the key point, which is focusing on what we can draw, delivering value to neighbors and to advertisers. Now when we double-click a bit further, we can look at verticals that do matter for us, areas like home services, which we've highlighted. We are seeing really positive momentum there. Some small rebound in financial services. Beyond those, it's really, from our perspective, around diversifying our advertiser base.

So we have emerging verticals that are contributing in a smaller way today. We think it can be -- play a bigger role in the future. But at the end of the day, the verticals that are endemic to us, we are seeing positive momentum in. But ultimately, it comes back to delivering advertising value.

Now with regard to cost efficiencies and looking forward to 2025, one, just a comment on Q4. I do want to reiterate that it is Q4 cash flow breakeven. So we do generate significant interest income in addition to

adjusted EBITDA. So that's something I wanted to clarify there. Additionally, one of the things we're really focused on is positioning ourselves for growth, as Eric mentioned.

And so we believe we can do more with less. We are allocating our resources. We are getting leverage from more efficient marketing, as you noted. And ultimately, we think that puts us in a position to ambitiously pursue some of the product changes that Nirav has talked about. But at the end of the day, we're not commenting on 2025 specifically. But with each quarter that goes by, we feel better positioned.

### **Operator**

The next question is from the line of Eric Sheridan with Goldman Sachs.

### **Eric James Sheridan**

*Goldman Sachs Group, Inc., Research Division*

Two questions, if I can. In terms of the scope of budgets that are coming your way today and how that might evolve over the long term, how do you think about the landscape of local into local compared to national into local and how these might look different for you as a platform not only in the current state but in the years ahead? And I thought it was interesting, the comment you made about user growth coming predominantly from word of mouth and unpaid acquisition channels. Is that something we should be thinking about in terms of broad-based ability to grow irrespective of marketing investments or potential for higher levels of marketing leverage over the long term?

### **Nirav N. Tolia**

*Co-Founder, CEO, President & Chairperson of the Board*

Thank you for the question. Let me actually start by saying that this idea of local versus national, one of the things that makes Nextdoor really unique is that we are an intrinsically local platform but with national scale. And so the fact that we've got 99% adoption of neighborhoods across the United States means that whether it's for users and regardless of where they're living, having a great experience or whether it's advertisers and regardless where they want to advertise, being able to go to one place to do that advertising. We can bring local, which is typically something that's been very difficult to scale, to people nationally at scale.

And so the way that you framed the question originally, we actually think internally that we can deliver a local experience at a national scale. We don't think of it as an either or. We think of it more as an and. In regards to the growth and how we think about organic growth, word of mouth, et cetera, I'm going to pass it to Matt. And he can give you a little more detail on that.

### **Matt Anderson**

*CFO & Treasurer*

Yes, that's right. And I'll -- just on the advertiser point as well. Whether it's the local business or the large enterprise, they're looking for reach. They're looking for return on ad spend. And they're looking to do that more flexibly and more easily. And so that's true. Now some of our smaller advertisers or SMB or mid-market, already starting to see some of that progress today, be it self-serve. We have more to do on the enterprise side, but a lot of those needs are the same.

Now going to your point around user growth, this is actually something we've commented on in the last couple of quarters. So what we sometimes refer to as top-of-funnel growth. So these are new neighbors coming and verifying on the platform. We're seeing really nice growth there. If we look at this versus prior years, requiring absolute terms, significantly more, approaching 95 million of total Verified Neighbors. So continue to see progress there.

As I mentioned in my comments, nearly all of them are coming through word of mouth, organic, unpaid channels. And that's something that, one, reflects our scale; two, reflects improvements in the product; and three, as you noted, represents a significant opportunity to show leverage. So as it relates to user acquisition, we've actually taken that spend to nearly zero. And so we're hitting relatively high levels of absolute neighbor acquisition and that we're driving that with limited neighbor acquisition spend.



So that's a really key piece. It's something you -- we will see a little bit of in Q1, you'll see more of in Q2, but you have seen more of in Q2, and we expect to be a part of our second half as well, and that's built into our guidance. So that's something that we're continuing to make progress on. We feel good about it is a source of operating leverage, and it's really a core part of our plan today.

**Operator**

[Operator Instructions] There are no additional questions waiting at this time. I would like to pass the conference over to the management team for any closing remarks.

**Nirav N. Tolia**

*Co-Founder, CEO, President & Chairperson of the Board*

Thank you. Appreciate it, and thank you to everyone who joined the call. I'll just add a few closing remarks, and then we will end this time around. And what I'd like to do is give you 3 points: 2 about where we are today or about the current quarter really that we just reported and then the third, most importantly, looking ahead.

On the current quarter that we reported, we were very, very heartened by the fact that we could report growth as well as doing more with less. You heard the statistics, growing revenue, growing WAU, and then on the more with less, better adjusted EBITDA margin year-over-year, 23 points of improvement.

But the real story for us internally and our real focus is as we look towards the future, this idea of NEXT, the NEXT Nextdoor. Being able to combine our deep local expertise with a new and completely innovative user experience to truly delight our users and advertisers and start to achieve our potential. It's not going to be an easy path. It's not going to be linear. It's not going to be straightforward. But the potential payoff is something that we find extremely, extremely attractive. A better product experience for users and advertisers, a growth story as a company and a revitalized platform for all.

So we appreciate you joining for the call. We'll continue to keep you abreast of the journey and until next time. Thank you, everyone, for joining.

**Operator**

That concludes the Nextdoor Second Quarter 2024 Earnings Call. Thank you for your participation. You may now disconnect your line.

Copyright © 2024 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

© 2024 S&P Global Market Intelligence.