

Nextdoor Holdings, Inc. NYSE:KIND

FQ1 2025 Earnings Call Transcripts

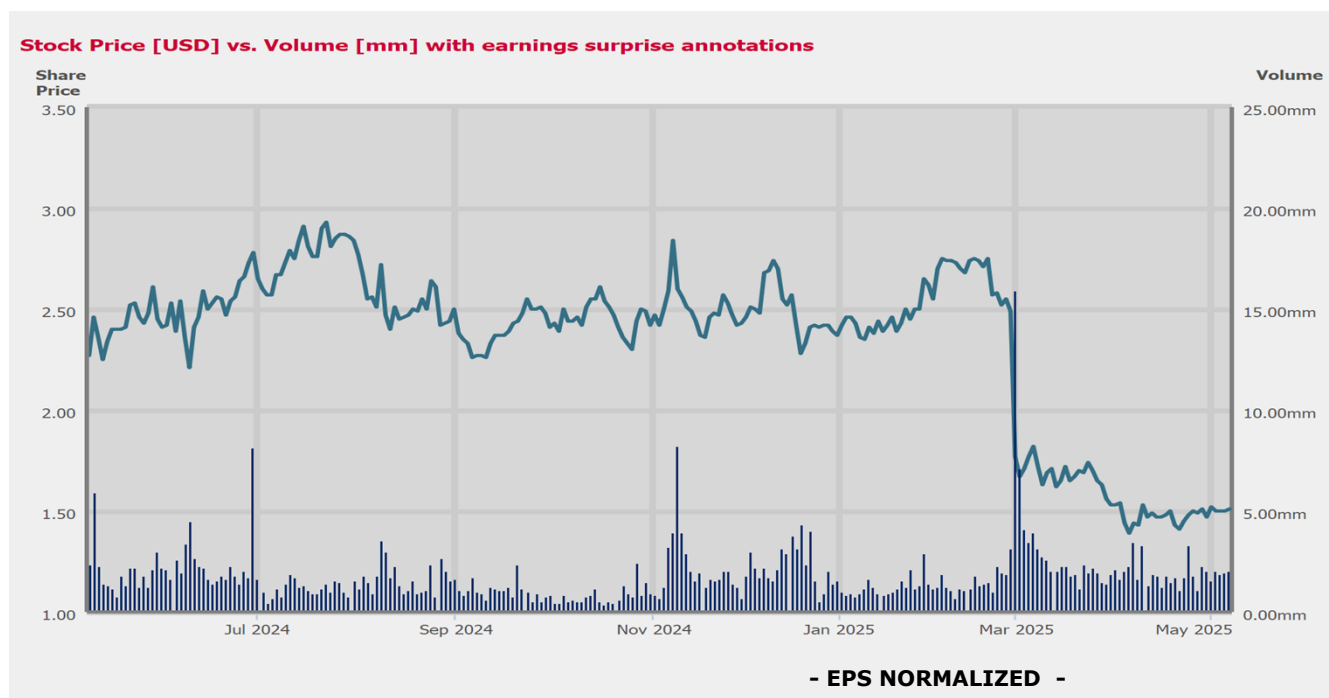
Wednesday, May 7, 2025 9:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2025-			-FQ2 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	(0.06)	(0.06)	NM	(0.04)	(0.16)	(0.12)
Revenue (mm)	53.14	54.18	▲ 1.96	63.24	261.78	294.54

Currency: USD

Consensus as of Apr-11-2025 11:35 PM GMT



	CONSENSUS	ACTUAL	SURPRISE
FQ2 2024	(0.07)	(0.04)	NM
FQ3 2024	(0.05)	(0.04)	NM
FQ4 2024	(0.02)	(0.03)	NM
FQ1 2025	(0.06)	(0.06)	NM

Table of Contents

Call Participants	3
Presentation	4
Question and Answer	9

Call Participants

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Presentation

Operator

Good afternoon. My name is Joel, and I will be your conference operator today. At this time, I would like to welcome everyone to Nextdoor's First Quarter 2025 Earnings Conference Call. [Operator Instructions] You may now begin your conference.

John T. Williams

Head of Investor Relations

Thank you, operator. I'm John T. Williams, Nextdoor's Head of Investor Relations. Good afternoon, and thank you for joining us to review Nextdoor's First quarter 2025 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 Q1 2025 Nextdoor investor update 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. Good afternoon, everyone. I'm happy to be with you today to discuss our first quarter 2025 financial results and provide a preview of NEXT, our initiative to transform the Nextdoor product. Before diving into that preview, here are some brief comments on our Q1 results.

Weekly active users grew 6% year-over-year to 46.1 million. Revenue rose 2% year-over-year to \$54 million. We maintain expense discipline, achieving continued year-over-year adjusted EBITDA margin improvement. That said, our most significant progress in Q1 was product related as we furthered the transition to NEXT and continue to make its upcoming launch our top priority. This means that any short-term trade-offs we have made and continue to make are intentional and aligned with our plan to maximize long-term value. Okay. So let's get to that top priority the NEXT Nextdoor.

For just about a year now, you heard me talk about how we need a better product to unlock our full potential as a company. And since I returned as CEO, that has been our primary focus, to build a substantially enhanced offering, one that delivers greater value to our neighbors, advertisers and ultimately, our shareholders. NEXT is more than a redesign. It's a refounding of our vision, an opportunity to take the core elements that once defined our success and bring them to life in a more powerful and future-ready way.

I'm excited to show our vision to you today. But first, let me outline 3 clear goals each building on the last for this first version of the NEXT Nextdoor. It starts with connecting neighbors to the most timely and relevant local content. That's what brings people back more often leading to deeper and more frequent usage. As engagement grows, it opens the door to more supply as well as new ways to monetize. But because everything starts with delivering high-value content, let me explain why we're confident this is exactly what our users want.

It's not just our hypothesis. It's what our users consistently and explicitly tell us they value the most. They want timely updates, local insights and real neighborhood news, things they can't currently find on the open web or in other apps. It's neighborhood word of mouth. And from day 1, that's what Nextdoor was purpose-built to digitize.

We do know that the current product, however, isn't fully delivering on that promise. There are several reasons why content on our current platform falls short, but we've identified 3 areas where we know we can and will do better. First, users do want hyper-local updates, but what's hyper-local depends on the topic. A lost pet matters within a few blocks while a local election affects the entire city. With smarter machine learning and geospatial targeting, we can match content to users based on relevance as well as distance.

Second, Nextdoor was built as a utility, not a place for self-expression like other social platforms. But over time, conversations drifted. With NEXT, we're recentering the experience all around content that helps neighbors solve real-world problems, the kind of high-value information that people really need.

Third, the old user interface and in particular, the feed, sometimes buried important updates. Even when we sent notifications, they weren't always timely. With a more structured feed and fewer, more relevant notifications, we'll make it easier for users to get what they need when they need it. The bottom line is we listen deeply to our users, and we put their feedback into action to build a product that we believe can become indispensable.

So let me show you some of the biggest shifts between the Nextdoor of today and the NEXT Nextdoor. We are shifting from reactive to proactive. No more wondering is the power out? NEXT surfaces critical information in real time and gives it the user interface prominence it deserves. While neighbor-created content will always be at the heart of our platform, NEXT will layer in high-quality information for more sources like local news and official alerts, giving users a richer, more complete view of what's happening around them.

The feed remains but it will be supported by smarter search and a powerful new AI-driven agent that brings neighborhood favorites right to users' fingertips. All of this comes to life through 3 core pillars of version 1.0 of NEXT, news, alerts and recommendations. They aren't just product features, they meet real everyday needs. People may not wake up looking for local news, but they absolutely want to know what's happening around them. People certainly don't seek out alerts, but they absolutely want peace of mind when something important is happening nearby. And while you may not crave recommendations, all of us want to make smart decisions around our homes and our families.

So now let's take a closer look at how each of these pillars come to life in the NEXT Nextdoor. Local news matters to our users. So we are building a new foundation for local content. We've already partnered with thousands of publishers to embed high-quality local news directly in the feed. This enables users to discover what is happening around them, read perspectives from verified neighbors and join real-time conversations, from city council debates to restaurant openings to local sports.

Our redesigned feed will make all of this easier to discover and build daily habits around its usage. The goal is to create a proactive, reliable experience where neighbors know that they can come every day to find the local news that truly matters to them.

In our test version, 3 content categories consistently drive the most engagement, local politics, safety and lifestyle. That's no surprise. These were once some of the cornerstones of the local newspaper. With NEXT, we aim to become a modern version of that trusted resource, delivering the same essential information but in a faster, more relevant, more personalized way.

In moments of need, wildfires, severe weather, power outages, Nextdoor has always become a trusted lifeline. We've seen this throughout our history and saw it again during the recent L.A. wildfires when usage surged as neighbors looked for real-time updates on evacuations and service disruptions. But in the past, those alerts sometimes arrive too late or got lost in the noise. With NEXT, we are building an alert system from the ground up with a clear visual design, urgency indicators and an interactive map that

enables neighbors to track events as they unfold. This is one of the most meaningful upgrades we've made because when it really counts people need to trust that Nextdoor will keep them informed and safe.

Alerts don't have to be severe to be useful. With 3 levels of urgency, green, yellow and red, we are aiming to be able to notify users in 1 place about everything from weather and traffic to utility outages, construction, public transit delays, trash pickup, school events and even open houses. It's a broad range of topics, but all with 1 goal: Keeping neighbors safe and providing the peace of mind they need in their daily lives. And because alerts is built on our proprietary geospatial platform, we can deliver them with precision, targeting the right people in the right place at the right time.

And it doesn't stop there. With NEXT users can track alerts across their broader community, whether it's checking wildfire conditions nearby, where family members may live or staying informed about traffic disruptions along their full commute. What sets Nextdoor apart, however, is the layer of real-time conversation with verified neighbors, adding the context, insight and local relevance that turns these alerts into action.

Our final pillar is recommendations, which already make up around 30% of the conversations on Nextdoor. It's a vital way that neighbor share trusted advice to make smarter purchasing decisions for their homes and families. It's one of our most frequent and highest potential use cases.

You've heard me talk about the potential for AI on our platform. This is where much of our investment in this critical new technology comes to life. I'm excited to introduce the new faves section of Nextdoor, where AI and recommendations come together to simulate what are the most valuable local experiences, asking a trusted neighbor for advice.

Powered by our proprietary data, technical expertise and insights from over 100 million verified neighbors, we are building a truly innovative way to scale local word of mouth and make it smarter, faster and more useful than ever before, all with the power of AI. Drawing on 14 years of unique community data from verified neighbors, we aim to deliver fast, trusted answers that move users from discovery to action, reaching a high intent audience that's often ready to make purchasing decisions. And like many of the agentic AI experiences that are now becoming mainstream, we believe this will be quite simply a better user experience, not to mention a powerful new surface for local commerce.

By connecting intent with discovery in a seamless way, we can help neighbors make smarter decisions and in the process, unlock meaningful monetization opportunities. The possibilities here are endless and uniquely Nextdoor. We've always been a platform where neighbors ask freeform questions not just type queries into a search bar. With this upgraded surface, we aim to respond faster and more powerfully using AI to surface and summarize years of verified neighbor insights in a way that only we can. It's the next evolution of local knowledge and it's made possible by truly effective AI.

The user feedback on this vision has been overwhelmingly positive, and we plan to make the feature available in 5 DMAs at launch and are very eager to expand it more broadly later this year.

So hopefully, you can see now why we are so optimistic about NEXT, not just for its potential to deliver better local information, but to deepen engagement and drive increased monetization. That focus on monetization will ramp up in the second half of the year as we expect to roll out new ad formats and surfaces, but that's all after the launch of NEXT. It's still too early to go into detail, but initial interest from advertisers has been encouraging, reinforcing our belief that NEXT will deliver marketers with a more engaged and valuable audience across the board.

Okay. We've talked about what. Now let's focus on when. We're already making solid progress with news and alerts being tested so we can continue to improve them as we prepare for a full NEXT launch by the end of July. A transformation of this scale naturally comes with some variability, while we believe financial impact will follow product milestones, we're confident that the foundation we're laying will position us for long-term success.

We believe Nextdoor has the potential to become a daily habit, that deeply engaging product with strong monetization potential. And NEXT is what we believe will make this possible. It's more than just a product

update. It has sparked a company-wide shift in how we build, think and operate, and we're just getting started.

With that, I'll hand it over to Matt to walk through our financial results.

Matt Anderson
CFO & Treasurer

Thank you, Nirav, and good afternoon, everyone. During Q1, we continued to make progress ahead of our upcoming NEXT rollout. Q1 WAU of 46.1 million grew 6% year-over-year, reflecting steady new U.S. user acquisition. Many of those new verified neighbors will experience the new version of Nextdoor during their early days on the platform, creating an opportunity to reset user expectations and engagement.

Additionally, in Q1, extreme weather events drove increased usage, reinforcing Nextdoor's value as a real-time local resource. While we have shown progress growing well, the introduction of NEXT creates an opportunity for us to align our key external metrics with our strategic and operational focus.

Beginning in Q2, we will fully transition to platform WAU as our primary user metric. Platform WAU includes users who engage directly on the Nextdoor app or website. Unlike WAU is currently reported, this figure does not include users who only engage with e-mails with monetizable content.

We are making this update for 3 primary reasons. First, it aligns with changes in consumer expectations towards in-app experiences and away from e-mail. We will meet users where they want through channels they expect with content they need. Second, it aligns with our strategic focus, to deliver richer, more engaging content across surfaces, delivering more value for users and advertisers. Third, it aligns with where NEXT delivers value. This is true for both users and advertisers since substantially all monetization will happen on-platform.

Ultimately, NEXT is about building a better user experience. With a focus on the features and metrics that best reflect that experience, we can also build a better system, one built around structured, timely and high utility content that can increase frequency across all cohorts and make growth durable.

With that in mind, Q1 platform WAU of 22.5 million grew 5% year-over-year. This growth reflects the same user acquisition engagement trends that drove WAU in the period. Additionally, in our 10-Q and investor materials, you will find further information regarding WAU and platform WAU trends over the past 6 quarters.

Now on to monetization. Q1 revenue of \$54 million was up 2% year-over-year. As noted last quarter, some large advertisers reduced their spend year-over-year. This was due to shifting budgets towards programmatic ad buying, which reflects an opportunity to unlock new demand. At the same time, we are getting more leverage from the Nextdoor Ads Platform, which serves 100% of U.S. large advertisers as of early May.

Large advertisers that continue to buy our inventory directly and adopt click optimization are seeing an approximately 50% improvement in click-through rate. We also take confidence in our growth potential based on the progress we saw across all other revenue channels. Outside of large advertiser sales, our other channels together delivered double-digit year-over-year growth in Q1. This reflects continued product improvements that are helping advertisers using the Nextdoor Ads Platform reach users with more relevant messages and drive stronger campaign performance.

Specifically, we drove down cost per click by 20% year-over-year as usage of performance features continues to grow. Self-serve adoption rose, accounting for over 60% of revenue in Q1. And finally, we recently launched AI campaign creation and targeting tools in the Nextdoor Ads Manager, further reducing friction for advertisers.

Moving to profitability. Q1 net loss was \$22 million or a negative 41% margin, representing a 13 percentage points of year-over-year margin improvement and reflecting the benefit of a 12% year-over-year decline in stock-based compensation expense.

Q1 adjusted EBITDA loss was \$9 million or a negative 17% margin, representing 9 percentage points of year-over-year improvement. We also generated positive operating cash flow, reflecting our focus on cost management and cash flow conversion. This year-over-year operating leverage came in 3 primary areas: Improved team productivity, more efficient marketing spend, and reduced hosting and data related costs.

Turning to our balance sheet. We ended the quarter with \$418 million in cash, cash equivalents and marketable securities and 0 debt. Over the last year, we repurchased approximately 36 million shares, including 4.7 million shares in Q1. These continued expense reductions and share repurchases are core pillars of our capital allocation approach.

Now on to our outlook and financial guidance. Our focus on NEXT and evolving market trends have influenced our Q2 outlook in 2 ways, both of which we noted at our last earnings call in February. First, change related to NEXT, including the updated UX and the introduction of local news, prioritize the long-term retention ahead of immediate increase to session depth. This is intentional. It does in turn affect the total impression opportunities we expect to generate in Q2.

Second, we expect large advertiser spending to continue to be down year-over-year, offsetting continued growth in other channels. Given those dynamics and barring any new changes in advertiser sentiment, we expect Q2 2025 revenue of approximately \$60 million and an adjusted EBITDA loss of approximately \$10 million. We anticipate enabling programmatic ad buying later this year, which, together with near complete adoption of our ad platform should support a return to revenue growth.

I will close by reiterating our focus on driving sustainable, profitable long-term growth. We believe the changes we are making to the Nextdoor user and advertiser experience will enable stronger engagement, better monetization and ultimately, more shareholder value.

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 Eric Sheridan with Goldman Sachs.

Eric James Sheridan

Goldman Sachs Group, Inc., Research Division

Maybe 2, if I could. When you think about the rollout of NEXT and how to think about the duration of some of these initiatives impacting the business, how should we be thinking about the different duration over which NEXT will have an impact on user growth and engagement growth as opposed to monetization growth as you think about the maybe multiple steps in the 12 to 18 months ahead.

Nirav N. Tolia

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

Okay. Eric. That's a great question. Thank you. And I would say that, obviously, the monetization needs to follow any growth in usage and engagement, right? So the usage growth and engagement growth is what we're going to look for first. And then that ultimately should translate into a stronger story on the monetization front.

We expect that by the end of July, as we've said, we will have released NEXT to everyone in the U.S., and I think that we are also releasing it to the other U.S.-speaking countries where Nextdoor is live. And so by the end of July, we will have a pretty good sense of what you first said, which is the disruption or potential disruption, right? From there, we'll actually just be looking at what we're seeing in terms of green shoots. And what we're seeing in terms of things that make us optimistic about the future. We expect that we'll be able to come to the next earnings call with a lot of that information.

Certainly, when you talk about 12-month time frame, I would say this is version 1.0. It's a starting point. It's not the endpoint. And so we'll be working through, I would say, the rest of this year to understand really how to optimize the good things that we see. I wouldn't put the time frame as extended as 18 months, as you said, in terms of when we expect to see some real legitimate business results here, right? But we'll know a lot more at the next earnings call. Because until the thing is completely released and all of our users have it in its full entirety, we won't really have the full picture. It's just a guess.

Operator

The next question is from Jason Kreyer with Craig-Hallum.

Jason Michael Kreyer

Craig-Hallum Capital Group LLC, Research Division

Wonderful. I'm just curious, how are you thinking about monetization differently in a post-NEXT world relative to kind of just the traditional ad impressions we're seeing on the platform today?

Nirav N. Tolia

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

That's a great question. And I would say that there are kind of 3 ways that we think about it. The first is with more engagement, which is the #1 goal of NEXT, we should actually have more supply, right? So we should be able to take our existing monetization mechanism and generate more revenue, right? That's the very, very simple kind of 1 plus 1 equals 2, right? If you have more supply, you should be able to sell more ads, that should generate more revenue.

But I think what we're probably a little more excited and interested in is that we believe that NEXT will ultimately give us more surfaces to monetize. And so to give you a very specific example, we never had a dedicated space for alerts. Alerts only showed up in the news feed. Now we have a more dedicated area. And in speaking with a number of CMOs that are existing clients of ours, they have expressed interest

in exploring what would it be like to think about advertising in that area versus just the simple in-feed advertising. So that's the second category, and that's really thinking about not just more supply but new ad opportunities, new ad surfaces.

And then I think the third area, and it's probably the one that is least developed is when we showed you the AI implementation of the local AI agent, that's something that as you think about the entire industry of AI starting to move towards task completion versus just market making, we think there will be some opportunities there for us as well because it's our belief that consumers are ultimately going to want to ask a question to the agent and then have the agent deliver the solution, instead of having to go several hops to find that solution. And that's very different than just scrolling a news feed and seeing advertising. It's the furthest out because it is the most trailblazing from our perspective, but we think there's a lot of potential there.

So number one, more supply. Number two, more advertising surfaces. And number three, using that faves section and the way that people are starting to interact with our local AI agents to think about a complete closing of the loop on local needs.

Jason Michael Kreyer

Craig-Hallum Capital Group LLC, Research Division

Appreciate that. A follow-up for me on the programmatic side. Just any changes that you've seen on that side over the last couple of months since we last spoke? And then as you look to roll out something on the programmatic side, does that happen in parallel what you're doing? Like do you have to get all of the NEXT rollout along the way? And does that kind of become a phase 2 implementation to open up that programmatic thing?

Matt Anderson

CFO & Treasurer

Yes. Thanks very much for that. So on the first point, I'd say it's very similar to our update in February, which is we've got clear demand, we've gotten clear feedback from customers, and we're acting on it. And so we are in the process of standing up relationships with a few third parties. We're executing as expected. And as we referenced briefly previously, we expect this can contribute to growth as we get to the later in the year.

Now NEXT is going to be the most important driver overall. But that gets to your second question, which is, this is something that we can advance in parallel. We can continue to enhance not just the programmatic capabilities we have, but all aspects of our ad serving and ad delivery. So we'll be doing that in parallel as we roll out.

Operator

The next question is from James Michael Sherman-Lewis with Citi.

James Michael Charles Sherman-Lewis

Citigroup Inc., Research Division

Encouraging to see the early look here at the NEXT platform. Two, if I may. On alerts, can you help us understand this new hyper-local alert strategy and how it can strengthen usage? Do you focus more on session count or over usage per session as Nextdoor becomes this daily use case? And how do alerts impact your previous edification strategy given the strategic focus on-platform WAUs?

Nirav N. Tolia

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

It's a great question because the new alert surface is really at the heart of the value that Nextdoor has always provided, which is that lifeline in times of crisis. But we will be implementing it in a way that we believe will give users and advertisers more leverage.

So very, very specific example. Typically, what happens on Nextdoor is there is a user-generated post that's submitted by a neighbor, and that's hitting a neighborhood or a series of proximate neighborhoods. With the alerts platform, we now have the ability to define a region which we can notify versus an entire neighborhood. So for example, with a power outage, before someone may have posted to the entire neighborhood, hey neighbors, my power is out, how about yours. And that's going to a lot of people that may actually be also experiencing the power outage, but it may also be going to a lot of people that have perfectly fine power.

Now because we're getting authoritative content from the utility itself, we know the region of the neighborhood that is being directly affected by the outage. And we can message directly to them. We expect that to be a much higher performing notification. You can imagine a notification that says, is the power out and how that performs versus a notification that says, we know the power is out at your house, and then someone clicking through to find out what our neighbors saying about it, when do they think the outage is going to come back online, et cetera.

Now how does that affect sessions and WAU and all of those things? We haven't thought so deeply about that because it's really about just delivering more hyper-local content, making it as relevant as possible. And we have a core belief that if we do that, people will use the platform more.

The other thing I'd say about alerts is it was important for us to talk about the range of alerts. Severity is not the only thing that makes an alert relevant. We have this idea of green, yellow and red alerts where green alerts could be things like a rainstorm, which would make you go and get a raincoat or an umbrella and is actually pretty useful. And again, we can target that based on where the weather is occurring versus just a neighborhood or a series of neighborhoods. The yellow stage of alerts are things like the power outages and then obviously the red ones are extremely critical. That's when you have a hurricane, a tornado, a fire, et cetera.

And so we're very excited about the alerts surface. I would say there are a couple of reasons why. One is it reinforces what has always been one of the core benefits of Nextdoor, which is in times of crisis, when something is happening locally, Nextdoor is a place where you can find out what's going on. But the surface is now easier to find. It's more consistent. It's initiated by authoritative content, and it can be targeted to exactly who is experiencing that condition.

So stay tuned, but we're very excited to see how our users respond to this. And ultimately, we think that will translate into advertiser interest as well.

Matt Anderson

CFO & Treasurer

Yes. And Jamesmichael, I'll make a more general comment as it relates to platform WAU. It's not about looking back at something that's transpired over the last several quarters. As you've seen the data, it's relatively consistent relationship with WAU. It's really about looking forward and capturing all of the elements that we just talked about. So the feedback from customers, feedback from consumers. And ultimately, this is where the value on the platform is being created. This is where the usage is. This is where usage is going to be growing. And then ultimately, this is where we'll be monetizing.

So as we look forward, more and more of this work as it starts to unfold, will be present in the platform WAU, and that's why we think this is the right time to introduce that.

Jamesmichael Charles Sherman-Lewis

Citigroup Inc., Research Division

Very helpful. My follow-up is on recommendations, the 30% of those today. Walk us through your vision for the balance of user-generated content, publisher content, and seeing generative AI with the Ask a Neighbor natively integrated. How does that core recommendation function evolve as you integrate more voices?

Nirav N. Tolia

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

That's a great question as well. So let me be very clear. The publisher content is not something that's actually being fed into the LLMs that generate the AI responses. So there's been a lot of talk in the AI world about licensing content, ownership of content, et cetera. What we're using to generate our AI results is our proprietary content that we own that no one else has access to. So that's maybe the first thing.

When we talk about 30% of our conversations being around recommendations, that is over the last 14 years of our existence in neighbor user-generated content that is proprietary owned by us what are people talking about? And the neighbors are asking each other for recommendation. So that's what we mean by the 30%.

What the AI enables us to do is to take multiple conversations and string them together into 1 response, which is actually quite powerful because in the past, you could come to Nextdoor if you were looking for a trusty plumber and you could post and you would wait for responses, but it might be a question that had already been asked even a day before or you could search.

If you searched, you would see a variety of results that all related to individual conversation threads, and you would have to read each one of them and then you would do the work that the AI is now doing, which is you would take all the different results, you would figure out a way to interpolate them and then you would decide which plumber to call.

The AI essentially takes it from I'm looking for a plumber to here's a summary of what my neighbors believe is the best recommendation for that plumber and does it based on our proprietary content. So it's nothing from the outside. It's all things that neighbors have already said. And it comes to you so quickly, if you want to drill into that summary, of course, the summary can be broken down into all of the different conversations and a user can read every single one of those.

So you're not losing anything. You're just gaining something more. And we think, ultimately, that will actually end up creating more user-generated content as well because when someone does the local AI query and then they read the answer, they may want to ask a follow-up question, which in some cases, may be answered by the AI that we have or in some cases, it may result in another post to the feed.

So we think this is part of the overall viral loop inside Nextdoor of content creation and will be very powerful because it's instant results and it's summarizing over a decade of valuable content in a way that is immediately usable.

Operator

The next question is from the line of Youssef Squali with Truist Securities.

Youssef Houssaini Squali

Truist Securities, Inc., Research Division

Great. So maybe as the -- take forward to end of July, Nirav, how would you see your ability to drive awareness of the new UI, of the new functionality? And does that come at a short-term marketing cost? Does it basically -- do you just use a worth of mouth to try to drive it? Just help us think through how you guys are thinking about it at this point?

Nirav N. Tolia

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

Yes, that's a great question, and it's something that we think about a lot because we're obviously trying to be as disciplined as possible in terms of our spending. And so we do not anticipate a large marketing expense. I'll start there.

The second thing is we have 100 million verified neighbors. And as we reported, 1/4 of them are active on the platform. That means 75 million we should be able to message to and bring back to the platform in some way. We already have a line of communication to them because the basic construct of Nextdoor is one where notifications are a core part of the experience.

In addition to what we do with our internal audience, we do expect to have a lot of public relations. So what we would think of as earned media. We are not doing an advertising campaign. We're not spending marketing dollars in some outsized way, but it will be very important for us to get the word out. And ultimately, the way that we'll get the word out is what we believe to be the most powerful way, which is we'll deliver better notifications.

And so it's not just a big bang that happens at the end of July. If you think about this alert surface, if there's a power outage that affects you, and that's something that cycles around the country, all of the time, you will get a notification from Nextdoor that looks different, it feels different, that acts different.

And so whether you've heard about this thing NEXT, which is not even probably a term we're going to use, whether you've read any of the articles whether you've been reactivated during July, it really doesn't matter because you'll get better content from the platform, and you will experience it. And that's the best way ultimately for us to drive the awareness of the new product.

Youssef Houssaini Squali

Truist Securities, Inc., Research Division

Okay. That's helpful. And then, Matt, can you just remind us again why the new disclosures around the WAUs, the ones with e-mail and the ones without in the context of NEXT?

Matt Anderson

CFO & Treasurer

Yes, certainly. So as I mentioned, this is really about looking forward. So it's 3 key things. We want to be better aligned with consumer expectations and that really is moving towards in-app and away from e-mail and those experiences that Nirav described. It aligns with our strategic focus to all of the different elements that we discuss here are going to live on-platform. And that's ultimately what we want to capture in terms of our tracking.

And ultimately, it's where NEXT will deliver value, both for users and for advertisers. And so we expect that more and more of the progress we're making will show up in the platform WAU metric. So that's really the core of our focus is aligning those 3 areas.

Youssef Houssaini Squali

Truist Securities, Inc., Research Division

Does that potentially hurt your standing with advertisers as they see that maybe your scale is not -- is half of what they thought maybe? Or have they always known the breakdown on their end?

Matt Anderson

CFO & Treasurer

Yes. I think Nirav mentioned it earlier, but really, what we hear from advertisers is they want to be advertising in the types of experiences that NEXT brings. They want to be against more professional content in a more structured experience with a new look and feel is contemporary. And so those are the things that we're hearing in terms of customer feedback. And that really -- it wasn't the core driver in terms of thinking about this level of disclosure because ultimately, our goal will be to bring more and more of activity on the platform, which will also deliver more value to advertisers.

Operator

There are no further questions in the queue. I'll turn the call back over to the management team for any concluding remarks.

Nirav N. Tolia

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

Okay. Thank you, everyone, for listening. And before we close, I just want to take a quick minute to reinforce the things that matter most about where we are today and where we're going.

Q1 was all about product progress, about enabling the launch of NEXT, and we remain laser-focused on developing that better product experience. And of course, AI is going to play a vital role in that. We did drive operating leverage in Q1 even during this period of change, but really NEXT is the future of Nextdoor. It's on track. Version 1.0 is going to launch to all U.S. users by late July 2025 and will significantly improve the product, we believe, for users, advertisers and ultimately, shareholders. We hope you enjoyed the preview. Thank you for joining the call, and thank you for your interest in Nextdoor.

Operator

That concludes today's conference call. Thank you for your participation. You may now disconnect your lines.

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