S&P Global
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Nextdoor Holdings, Inc.

NYSE:NXDR

Earnings Call

Wednesday, August 5, 2026 1:30 PM GMT

Call Participants

EXECUTIVES

Colin Bourland

Indrajit Ponnambalam
Treasurer & CFO

Leah LaRue
Member of Public Agency Advisory Council

Nirav N. Tolia
Co-Founder, CEO, President & Chairperson of the Board

ANALYSTS

Alexander John Vegliante
Goldman Sachs Group, Inc., Research Division

Jason Michael Kreyer
Craig-Hallum Capital Group LLC, Research Division

Ryan James Powell
B. Riley Securities, Inc., Research Division

Presentation

Leah LaRue
Member of Public Agency Advisory Council

Good morning. My name is Leah, and I will be your conference operator today. At this time, I would like to welcome everyone to Nextdoor's Second Quarter 2026 Earnings Conference Call. [Operator Instructions] I will now hand the conference over to Nirav Tolia, Chief Executive Officer. Nirav, you may now begin.

Nirav N. Tolia
Co-Founder, CEO, President & Chairperson of the Board

Good morning, everyone, and welcome to Nextdoor's Q2 2026 Earnings Call. We appreciate everyone joining us today. I'm Nirav Tolia, Co-Founder, Chief Executive Officer, President and Chairperson of the Board. Joining me today is Indrajit Ponnambalam, Chief Financial Officer. I'd also like to take a moment to introduce Colin Bourland, our new Head of Investor Relations and Corporate Development. Colin has a strong background across finance, IR and corporate development, and he'll be leading our investor engagement efforts going forward. We're really excited to have him with us.

Colin Bourland

Thank you, Nirav. I'm excited to be here, and I appreciate the warm welcome. Hello, everyone. During this call, we may make statements related to our business that are forward-looking statements under federal securities law. 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, 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 2026 Nextdoor investor update posted on the Investor Relations section of our website today. And now I'll turn it back to Nirav.

Nirav N. Tolia
Co-Founder, CEO, President & Chairperson of the Board

Thanks, Colin. Q2 was a landmark quarter for Nextdoor with the strongest financial performance in our company's history. Platform WAU reached an all-time high. Revenue exceeded the high end of our guidance, and we delivered record adjusted EBITDA. Platform WAU grew to 22.9 million, increasing both sequentially and year-over-year for the second consecutive quarter. Revenue grew 15% to $75 million, and adjusted EBITDA reached $10 million, a 13% margin and a $12 million improvement over last year.

These are strong results, but what encourages me even more than the numbers is how we achieved them. For the past 2 years, we've talked about rebuilding Nextdoor for long-term sustainable growth. We haven't been looking for shortcuts or one breakthrough feature. Instead, we focused on steadily improving the product quarter after quarter, making it more useful, more relevant and ultimately more valuable for neighbors. This quarter, we're beginning to see those improvements compound.

The long-term success of Nextdoor depends on the health of our community and healthy communities are built by people contributing. Every time a neighbor asks a question, answers one, shares a recommendation, posts an update or help someone nearby, they make Nextdoor more valuable for everyone else. More contributors create more content, more content creates more relevance and more relevance gives neighbors more reasons to come back. When they come back, even more neighbors contribute. That's the flywheel we're building. Our job is to make it stronger every quarter, and that's exactly what we focused on in Q2.

Let me take you through some of the highlights, starting with how we make sure neighbors see content that feels relevant the moment they open Nextdoor. We continued improving our feed ranking systems so neighbors see the most engaging, useful and relevant content. We continued improving video throughout the platform, giving both neighbors and advertisers richer ways to communicate. We rebuilt our events experience, making it easier for neighbors to discover what's happening nearby. And we continue to use AI to improve the quality of our notifications, driving more engagement.

We also launched local journalist accounts, giving trusted local reporters a verified presence on Nextdoor and bringing higher-quality local news directly into neighborhood conversations. Now those may sound like separate product improvements, but they're not. They're all solving the same problem. When neighbors open Nextdoor, we want them to immediately find something that's useful, local and worth engaging with. But showing neighbors better content is only half the equation.

The other half is helping more neighbors create it because the most valuable content on Nextdoor comes from neighbors helping neighbors. So we focused on making it easier, faster and more rewarding to contribute. We added simple prompts that invite active commenters to share their first post, resulting in more neighbors posting for the first time. And we improved post insights, giving neighbors visibility into the real reach and impact of what they share because people contribute more when they can see that it matters.

The result, contributors reached a multiyear high in Q2. Unique posters grew. Post volume increased. Comments were up across the board. That's the flywheel in action. The future of Nextdoor isn't just built by getting more people to consume content. It's built by getting more neighbors to create it, and that's exactly the direction we're heading.

As we look toward the second half, I want to take a moment to explain how our thinking has evolved because I think it's an important story. When I returned as CEO, we began rebuilding Nextdoor around 3 core experiences: news, alerts and recommendations. And that work was essential. News and alerts helped restore utility to the platform. They gave neighbors more reasons to come back and reconnected us with what made Nextdoor valuable in the first place.

But recommendations revealed something even more important. And that is that what makes Nextdoor truly essential isn't the third-party content we surface. It's the content neighbors create for each other. And that is because Nextdoor is valuable because of the people behind it. A neighbor 2 streets away who recommends a plumber or answers a question with nothing to gain but helping someone else to make a better decision. That kind of content cannot be manufactured or aggregated or scraped from somewhere else. It can only be earned. And over the past year, that insight has sharpened our strategy.

The platforms that endure aren't just places where people post things. They're intentionally crafted ecosystems designed to make contribution easy, rewarding and self-reinforcing, where the value compounds as more neighbors participate. As we look ahead, we're laser-focused on building more of these systems. The two I'll call out today that are already delivering results are Faves and Ask. Faves is built around a simple insight. The most trustworthy recommendation isn't the one with the most stars. It's the one from a verified neighbor who lives nearby.

Every day on Nextdoor, neighbors ask who has the best plumber, the best pediatrician, the best pizza or the best landscaper. Faves turns these conversations into a living, trusted local guide, continuously updated by the community for the community. This fall, we'll bring back our annual Faves Award campaign with an all-new in-product experience where neighbors vote for their favorite local businesses across 20 categories, another reason to participate, contribute and strengthen the communities they live in.

The next feature, Ask takes this further. Once you have trusted recommendations, the natural question becomes, how do you help neighbors find them instantly? Ask uses AI to understand what a neighbor needs and surface the most relevant answer, whether that's a conversation, a trusted local business or another neighbor who's been through the same thing. What makes Ask unique isn't that it uses AI, but what's behind it, an archive of nearly 15 years of trusted, verified neighborhood-level conversations that no one else has.

AI simply makes that knowledge dramatically easier to discover and the system compounds. When a question hasn't been answered yet, Ask can surface answers from that same archive, keeping the conversation alive until other neighbors weigh in. That's how we think about AI at Nextdoor, not as a replacement for community, but as a way to make years of community wisdom accessible in real time.

When you take a step back, Faves and Ask are 2 expressions of the same fundamental advantage, a verified community of neighbors who trust each other and help each other. Content no algorithm or AI model can replicate on its own. We've made meaningful progress over the past 2 years, but what's changed most isn't simply the product. It's that we've rediscovered what made Nextdoor special in the first place. And if we keep investing in that, we'll build stronger communities.

Stronger communities create better content. Better content drives deeper engagement. Deeper engagement creates a stronger business and everything else follows from there. With that, I'll turn it over to Indrajit to walk through our financial results and our outlook in more detail.

Indrajit Ponnambalam
Treasurer & CFO

Thanks, Nirav. As Nirav described, Q2 was another strong quarter that reinforced the progress we are making across the business. Let's walk through the details. Q2 Platform WAU was 22.9 million, up 5% year-over-year and up sequentially for the second quarter in a row, yet another all-time high for Nextdoor. When we reported Q1 results, we had just seen the first sequential inflection in several quarters. With 2 consecutive quarters of sequential growth, I'm now more confident that what we're seeing reflects the durable impact of the product investments we've made, not a onetime effect. As I've noted before, Platform WAU is a lagging indicator, which makes 2 consecutive quarters of improvement particularly encouraging.

Turning now to revenue. Q2 revenue was $75 million, up 15% year-over-year, finishing above our guidance range of $71 million to $73 million. Revenue growth was broad-based. Our self-serve channel remains the primary growth engine, growing 32% year-over-year, an acceleration from the 28% we reported last quarter, and it now comprises roughly 67% of total revenue with continued improvement in advertiser performance and revenue yields. Our growth was achieved without an increase in ad load, reinforcing that our revenue gains are coming from a healthier, more efficient ad product, not from increasing ad density on the platform.

Our U.S. direct sales team had a strong quarter. Growth was driven by deeper investment from existing customers with average revenue per customer up double digits year-over-year. Financial Services, Tech and Telco were standout verticals. And our video ad product continues to gain traction, a signal that advertisers are leaning into richer formats on the platform. On lead generation, one of our newer products, Opportunity Alerts, which helps local service providers connect with neighbors who are expressing real-time needs is showing encouraging traction at the intersection of neighbor intent and local business demand. It's still early, but the trajectory gives us confidence that we are on the right path to closing the gap between the intent that exists on Nextdoor and the monetization that should follow.

Turning now to profitability. Q2 GAAP net loss was $2 million or negative 3% margin, representing 21 points of year-over-year margin improvement. Q2 adjusted EBITDA was $10 million or 13% adjusted EBITDA margin. This compares to the $4 million to $6 million range we guided to last quarter and represents an approximately $12 million improvement year-over-year. Our beat versus guidance is driven primarily by revenue outperformance and continued disciplined cost management. We continue to drive productivity improvements across the organization.

Annualized revenue per employee increased 29% year-over-year in Q2, building on the gains we've driven over the past 2 years. We ended Q2 with $378 million in cash, cash equivalents and marketable securities, and we continue to have no debt on our balance sheet. Through the first 6 months of 2026, we generated $9.6 million of cash flow from operations, a meaningful increase from the $3.3 million we generated during the same time period in 2025.

Now let me turn to our financial outlook for the remainder of the year. For Q3 2026, we expect revenue of $76 million to $78 million and adjusted EBITDA of $6.5 million to $8 million. For full year 2026, we are raising our outlook for both revenue and adjusted EBITDA based on the positive momentum and outperformance we've seen year-to-date. We now expect to achieve low teens revenue growth for the full year and an adjusted EBITDA margin of approximately 10%. Underlying this outlook is our expectation that Platform WAU will continue to increase sequentially during the back half of the year.

Now let's turn to some Q&A, which we will structure in a similar manner as to the last 2 quarters. We'll start by taking live questions from our covering analysts. After that, we'll take some questions submitted by our investors. With that, operator, let's open the line for questions.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Jason Kreyer with Craig-Hallum.

Jason Michael Kreyer
Craig-Hallum Capital Group LLC, Research Division

All right. Great to see the WAU kicking in 2 quarters in a row. It seems like that's coming earlier than expected. Can you just talk about what contributed to that? Is this just organic with just more utilization on the platform? Or do you have some deliberate strategies that you're deploying that's being seen as effective to grow the user base?

Nirav N. Tolia
Co-Founder, CEO, President & Chairperson of the Board

All right. Thank you for the question. And yes, we are very encouraged by the fact that now this is the second quarter where we've seen that WAU tick up. The strategy in general is to build a better product and to do so through lots of small improvements versus relying on one big bang that may or may not work out. I talked about in my opening remarks, some of the improvements that we made. And if you take those improvements and you continue to add them together, the compounding effect is the overall platform grows.

I mentioned in particular that we are now investing very deeply in rebuilding the core foundation of our community. And that comes down to user-generated content and how we're fueling contributor growth. And so that's a particular high point for us. But I would describe the progress as across the board, organic and durable. And so we're very encouraged by what we see. And while we can't point to one particular thing, we think that's actually a strength because you want to build a system where all of the improvements come together into something that then looks pretty significant. And that's what we hope we're building towards.

Jason Michael Kreyer
Craig-Hallum Capital Group LLC, Research Division

Got it. One follow-up. So you brought a lot of AI functionality into the platform over the last year. Can you just talk about how the benefits accrue to Nextdoor, where you see that in the KPIs, whether that's engagement or monetization or somewhere else in the numbers that we can't see?

Nirav N. Tolia
Co-Founder, CEO, President & Chairperson of the Board

Well, look, we continue to believe that AI is the biggest transformation in our industry since we've been not just with Nextdoor, but really since the beginning of the Internet boom. And so it's something that's going to be inescapable for all businesses. We do think that AI, as we've talked about, can assist us both making our company more efficient, but also in making the product experience and the advertiser experience better. And so whether that's on the product side, and I mentioned Ask in my early comments, and how we use AI to summarize and to better present our content or whether that's on the monetization side, where we're using AI and machine learning to create a better opportunity for advertisers to show the best ad at the best time to the best candidate, we will continue to lean into the technology.

And it's rapidly moving from something specific and a kind of vertical initiative, AI, into something that we think about more horizontally that's going to be utilized in all parts of our business and really all parts of our company. And so we do believe that we are well positioned in a world where consumers are starting to turn more towards agentic experiences than general search and things like that. And so we think not only our embrace of AI, but the trend of consumers seeking AI, those are both things that we can take advantage of.

Operator

Your next question comes from the line of Eric Sheridan with Goldman Sachs.

Alexander John Vegliante
Goldman Sachs Group, Inc., Research Division

This is Alex on for Eric. If you think about some of the growth drivers of core ads monetization going forward, richer formats through video, more down funnel ads, increasing auction density. What are some of the 1 or 2 growth drivers that you see as having the longest runway? And what are some of the investments that you think you guys need to still make going forward to capitalize on that?

Nirav N. Tolia
Co-Founder, CEO, President & Chairperson of the Board

I'll start, and then I'll see if Indrajit wants to add something to it. The big thing that I will say is we continue to see more demand for our ad products regardless of the amount of inventory we have. And so as we grow engagement, we think our core display advertising opportunity gets larger and larger. In terms of the specifics, yes, you mentioned video and you mentioned self-service. I mean, Indrajit, you can probably add some color.

But I think the main point that I wanted to make was advertisers want to use Nextdoor because of the intent that our users express every single day. And so as we grow engagement on the platform, that display opportunity, just the basic display opportunity still has a lot of headroom and the ceiling is really, really high.

Indrajit Ponnambalam
Treasurer & CFO

Yes. I would agree with Nirav. And I would just add, we think we have a lot of room to continue to make optimizations. We've made a bunch of steps over the last year, which you can see with our revenue per user metric improving, but pretty broad-based. We think the more engagement our users have on the platform, the more information we have on them, which is also valuable for our advertisers as well. So there's a compounding benefit of user engagement, which will help us on the monetization side. So I would say across the board, we have plenty of headroom yet to go across a bunch of different ad surfaces and ad formats.

Operator

Your next question comes from the line of Ryan Powell with B. Riley Securities.

Ryan James Powell
B. Riley Securities, Inc., Research Division

This is Ryan on for Naved. So first question is with Platform WAU up 5% year-over-year despite the 9% pullback in brand and performance marketing in the second quarter. Could you talk about your updated timing for retargeting lapsed Platform WAU? And then if guidance for sequential WAU growth in second half assumes any step-up in brand and performance marketing spend? And then I have a follow-up.

Nirav N. Tolia
Co-Founder, CEO, President & Chairperson of the Board

Go ahead, Indrajit, you can start.

Indrajit Ponnambalam
Treasurer & CFO

I think you probably have heard my tone change a little bit on Platform WAU, where the last couple of quarters, we said we expected it to grow over time, but there might be some short-term fluctuations. And so now we're feeling a little bit more confident based on our results year-to-date. And so we're sort of giving some forward-looking guidance on the fact that we continue -- that we expect that growth to continue the back half of the year. So that's sort of an important shift I wanted to note.

We're not quite ready to quantify exactly how much that increase will be because we're still working hard to do a whole bunch of things to the product to make that a durable long-term growth, but we do think it's going to grow. It is not related to any specific or significant marketing investments. So that will take more time.

I think as we continue to see retention of our users improve on the platform, as we see improving NPS on the platform, I think those will be key indicators for us on when we might step more on the marketing investment front, but we don't see that as a significant driver of growth for the rest of this year at least.

Ryan James Powell
B. Riley Securities, Inc., Research Division

Understood. And then on ARPU growth, could you discuss the contribution from pricing versus impressions?

Indrajit Ponnambalam
Treasurer & CFO

For Q2, I would say it was primarily pricing.

Operator

There are no further questions at this time. I will now turn the call back to Indrajit Ponnambalam.

Indrajit Ponnambalam
Treasurer & CFO

Thank you, operator. As I mentioned earlier, we're now pleased to answer some questions that investors have submitted to us in advance. So I'll pose a question and then either Nirav or I will answer.

So first question is, I keep reading about how AI search summaries are cutting into traffic for sites that benefit from search optimization. Does Nextdoor depend much on search traffic to bring in new users? Or does growth come from somewhere else?

Nirav N. Tolia
Co-Founder, CEO, President & Chairperson of the Board

All right. I'll take this one, Indrajit. It's a great question. And the short answer is we've never depended on search traffic, and that's by design. Unlike most platforms, Nextdoor was never built for the open web. Our content is only accessible to verified neighbors within our private network. So Google can't index it, and that means that SEO has never been a part of how we grow. Instead, what we've built is a self-fueled distribution engine, direct traffic from neighbors who find Nextdoor useful, notifications that surface relevant local content directly and virality through neighbor invitations and word of mouth.

And so this is an organic growth mechanic that's not reliant on any outside traffic source. And that's the part that I find genuinely exciting. We're not just insulated from this AI search disruption. We may be a big beneficiary because we believe people will continue to migrate away from general search and towards direct trusted agentic destinations. And that's what Nextdoor is, and we think we're very well positioned for that world.

Indrajit Ponnambalam
Treasurer & CFO

Great. Second question, as a shareholder, when do you think Nextdoor could be profitable on a straightforward GAAP basis, not just adjusted EBITDA?

So why don't I take this one? GAAP net income profitability is a priority for us. It's not just an eventual outcome. Just to level set, we've already delivered positive adjusted EBITDA and positive cash flow from operations for full year 2025. And we guided today to approximately 10% adjusted EBITDA margin in 2026. And you just heard me point out that our Q2 results reflected 16 points of year-over-year improvement in adjusted EBITDA margin. So we are making real progress on the profitability front.

Our team looks at net income profitability closely every quarter. For us, the gap between adjusted EBITDA and net income is primarily related to stock-based compensation. So as you guys can see in our financial results, SBC as a percent of revenue has been shrinking consistently over the last few years as we scale revenue and gain operating leverage, which is bringing us closer and closer to positive net income.

So we're not going to commit to a specific time period today, but GAAP net income profitability is definitely where we're driving the business, and we're closing that distance each quarter.

All right. Third and final question. Beyond core display advertising, what do you see as the next major monetization lever? And how large could it become?

Nirav N. Tolia
Co-Founder, CEO, President & Chairperson of the Board

I'll take this one, Indrajit, and this will build a little bit on the question that Alex from Goldman Sachs asked earlier. So first, let me just reiterate, we think there's real runway within advertising itself. Display is obviously one format, but we're still early on video. We're still scaling self-service. And there are ad products and formats that we haven't fully built yet. Remember that the self-serve channel alone grew 28% year-over-year in Q1. So even within advertising, we're not anywhere near a ceiling.

We do see an additional large opportunity, and that is local lead generation. Recall that from the very beginning of Nextdoor, one of our prime use cases has been when a neighbor asks who has the best plumber or recommends a landscaper or searches for a local business, all of that conversation around service providers. And that's verified trust-based intent from someone whose identity and address we know embedded in a community that already has a relationship with that business. We are increasingly monetizing this intent in products like search, opportunity alerts and even in Faves. And while we're not ready to size it today, we do see a very large opportunity ahead, and that excites us.

Indrajit Ponnambalam
Treasurer & CFO

All right. Thank you, Nirav. With that, I'm going to turn it over to Nirav for some closing remarks.

Nirav N. Tolia
Co-Founder, CEO, President & Chairperson of the Board

Thank you, Indrajit, and thank you all for joining us today. Before we wrap up, I just want to leave you with one thought. Over the past 2 years, we've talked a lot about rebuilding Nextdoor. And this quarter, I think we saw the results of that work. Platform WAU reached another all-time high. Revenue grew 15%. Adjusted EBITDA improved by $12 million over last year. Those numbers do matter. But what gives me the most confidence isn't any single metric. It's that they're all moving together.

We're finally seeing the cumulative benefit of hundreds of product improvements working together. We're seeing healthier communities creating better content. We're seeing better content driving deeper engagement, and that deeper engagement is creating a stronger business. That was always the strategy. And over the past 2 years, we've rediscovered it for Nextdoor. As AI changes how people find information, we believe that what becomes increasingly valuable isn't just information, it's trusted information created by real people, real people that are helping one another solve real problems, and that's what we've been building for nearly 15 years. And I still think that we're just getting started.

So thank you for joining us today, and we look forward to updating you in the months and quarters ahead.

Operator
This concludes today's call. Thank you for attending. You may now disconnect.