

Nextdoor (NXDR)

Decision: **AVOID** | CoC: Yellow/Red | Aborted Week 1 | Report date: April 10, 2026

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[Lead Analyst (A)] — Overall Story & Synthesis

Nextdoor operates a hyperlocal social network connecting verified neighbors for recommendations, safety alerts, and local commerce. The thesis sounds appealing: a “digital town square” with potential network effects. Reality is less compelling. Since its 2021 SPAC debut at \$4.3B, the stock has collapsed 80%+ to ~\$500-800M market cap. Revenue growth decelerated to ~2% YoY in Q1 2025, and the company remains unprofitable. Management’s “NEXT” product transformation – launching mid-2025 – is effectively an admission that the core product requires reinvention. We could not confidently answer: does Nextdoor possess durable competitive advantage enabling attractive owner returns over the next decade? The burden proof was not met.

[Numbers & Unit Economics (B)] — Quick Value Screen

Despite modest growth in revenue since 2024, there were some red flags. The most salient detail is that EDITBA was still at -\$70.0m, implying an EDITBA Margin -27.2%, meaning the company is still far from profitable. A free cash flow margin of only 2.3%, meaning the company doesn’t have much of a cushion against volatility in revenue. This in tandem with the fact that ad revenue is essentially their only source of income means that any decrease in popularity of the app would cause the business to stop being self-funding, causing negative sentiment and real risk of future default. The popularity for the app has since decreased since 2024 meaning that this scenario may already be playing out, so longing this company at this particular moment would be very ill-advised.

[Governance & Incentives (C)] — Ownership & Red Flags

Co-founder Nirav Tolia returned as CEO/President/Chairman in Q2 2024, holding ~7% of shares. Founder-returns can signal conviction, but triple role concentration reduces board independence.

Measures for long-term incentive compensation plans unclear. Short-term: Revenue and EBITDA. Targets primary issues but does not effectively control customer/product/revenue quality.

Governance verdict: Yellow? – Mixed picture requiring margin of safety we cannot find at current valuation.

[Devil’s Advocate (D)] — Red Flags & How We Might Be Fooling Ourselves

Nextdoor’s profitability remains weak. Even though EBITDA has improved it still reported a full year GAAP net loss covering the full fiscal year of 2025. Stock based compensation still remains very high at \$65.3 m in 2025, equalling approximately 25% of revenue. There is also reportedly \$72.3 m in unrecognized SBC to be realised in the following two years. Meaning this issue is not fading in the near future. The concerns regarding Nextdoor’s SBC does not end there.

Nextdoor reported \$6.5 m of operating cash flow during 2025, while SBC totalled \$65.3 as mentioned previously, meaning that reported cash generation is heavily dependent on paying employees with equity rather than cash. This makes the positive FCF less impressive since the cost shifted from cash flow to shareholder dilution. So on a SBC adjusted basis the business still appears to be far from self funding.

Moreover, managements transformation will imply product risk, since if the relaunch fails it confirms that the platform required reinvention but could not regain or establish relevance. It is also noted that Nextdoor has experienced declining app popularity which suggests both limited room for execution mistakes and increased the burden on management to deliver a successful turn around.

Firstly, we may be over-penalizing Nextdoor for historical under-monetization and treating the next transformation as proof that the business model is impaired. However, the more charitable interpretation is that the company has a real but poorly monetized local network, and that the product reset is aimed at, and successfully so, improving engagement quality and self-serving advertising conversion, instead of changing the business fundamentally. If local verified identity grants higher trust and finer targeting than generic social platforms, then advertising could become more valuable than we currently assume. Furthermore we may be extrapolating negative EBITDA margins too far into the future.

Thus, the main potential fault in our thesis is that Nextdoor’s model is not broken, but merely subscale and inefficient. And if Nextdoor were able to increase retention and monetization while fixed costs remain at similar levels, profitability could amplify more rapidly than we assume.

Portfolio Manager Commentary

First of all, I would like to thank the analysts for their thorough work on our first case together. This is the first time F.Cap has commissioned a report according to a process whitepaper, to my knowledge, in order to ensure that opportunities are being screened in a fair fashion.

I personally agree with the assessment made by the analysts, that for the time being Nextdoor seems to be a less suitable opportunity given both our mandate and that a margin of safety should be apparent, while noting that we could still be wrong due to unaccounted circumstances – alas, your model of reality is never going to fit reality, thus you need a margin of safety.

The reader will note inconsistencies between sections in how cash flow is measured; we acknowledge this is due to us still refining our analytical process, which we address explicitly below.

We will refine our whitepaper by explicitly mandating that we discuss how SBC impacts FCF, what the relevant metrics are (depending on the business), and so on – in this case, e.g., EBITDA is misleading due to SBC.

Of course, it could be said that there are never bad opportunities, necessarily, only bad prices – we will aim to introduce explicit estimates in future reports.

Best regards,

Gustaf Haglund
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