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Ronald Victor Josey

Citigroup Inc., Research Division

Presentation

Operator

Hello, everyone. Thank you for attending today's Nextdoor Second Quarter 2023 Earnings Call. My name is Sierra, and I'll be your moderator today. All lines will be muted during the presentation portion of the call with an opportunity for questions-and-answers at the end. [Operator Instructions] I would now like to pass the conference over to our host, Matt Anderson, Head of Investor Relations with Nextdoor. Please proceed.

Matt Anderson

Head of Investor Relations

Thank you, Sierra. Good afternoon, and thank you for joining us today to review Nextdoor's Second Quarter 2023 Financial Results. With us on the call today are Sarah Friar, Chief Executive Officer; and Mike Doyle, 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 the most directly comparable GAAP financial measures can be found in the Q2 2023 Shareholder Letter release today. With that, I'd like to turn the call over to Sarah.

Sarah J. Friar

CEO, President & Chairperson of the Board

Thank you, Matt. Q2 was a strong quarter for us as we delivered year-over-year growth across our key metrics of weekly active users, or WAU, and revenue as well as adjusted EBITDA margin improvement.

Starting with neighbors. WAU was 13% year-over-year to 41.6 million globally. While WAU declined slightly sequentially, we added 1.6 million WAU in the first half of the year. We also saw strength in underlying engagement trends, most notably session depth, which has increased 24% since the end of 2022. We are successfully executing on our 2023 product initiatives to increase the number of neighbors and organizations on the platform, deepen engagements that are driving content creation and personalization, and enable sustainable advertiser and revenue growth through ad platform development.

We continue to bring new neighbors and organizations to Nextdoor through invites, content sharing, and brand awareness initiatives. In Q2, we launched our Seventh Annual Neighborhood Faves campaign where neighbors voted for their favorite local businesses. This brand building campaign benefits businesses. Winners receive almost 5x more clicks on their Nextdoor ads and 6x more recommendations on their business pages. It also benefits neighbors, 94% of some value recommendations from other neighbors.

During the campaign, neighbors voted for almost 2.5 million businesses on the platform, creating a virtuous cycle of support and interaction between neighbors and businesses. With over 60 million business phase and recommendations and nearly 4.1 million claimed business pages on the platform relative to just over 2 million when we went public less than 2 years ago, we created a strong presence for local businesses and deliver value by providing reach to a high intent audience of real people any neighborhoods everywhere. Last month, we had the opportunity to celebrate the 2023 Neighborhood Faves winners with beloved local businesses like Cluny Caf  , Brooklyn Blooms, and Foley Hardware as they rang the opening bell at the NYSC. We know that when small businesses like these thrive, neighborhoods thrive.

In the quarter, we accelerated our API initiatives to share Nextdoor content on and off the platform and to make this process more seamless for neighbors, including through partnerships with Axios and Reddit. We're also in the very early days of partnering with the BBC to bring more local news content to Nextdoor. These initiatives help drive engagement and raise awareness of Nextdoor as the platforms get things done locally. We're seeing results with over 90% of global verified neighbors coming to Nextdoor organically in the quarter.

We are well positioned to explore the possibilities for AI and generative AI applications because of our unique and highly dynamic local knowledge graph. Our graph benefits from real-time tagging. In other words, neighbors are already telling us if their post is a business recommendation or an event or a for-sale item. We can use this information to train our ML models and ultimately help neighbors more easily meet their needs on Nextdoor, including finding the most up-to-date local information or exchanging goods and services.

We are excited for AI's potential to drive both WAU and revenue outcomes. AI, especially ML, continues to play a critical role across our product initiatives to drive engagement in Q2. We implemented AI and the news feed to help content travel based on the number of neighbors in the neighborhood. As a result, neighborhoods with fewer neighbors are seeing more content, which has driven greater session depth; comments, posting, and even revenue. Using AI to customize the news feed for neighborhood characteristics, like population and engagement level is a precursor to personalizing the news feed for neighbor characteristics like interests.

We continue to roll out the generative AI Assistant we started testing late last quarter. Assistant for posts helps neighbors create posts in a way that are kinder and more engaging, and we've seen strong adoption. The majority of neighbors who see the Assistant generated suggestions are choosing to integrate them, leading to more productive and positive posts. We've seen particularly high traction from those creating business posts or recommendations, highlighting the strong use case for our two-sided network, businesses connecting to neighbors and vice versa on the platform.

In addition, we have integrated Assistant with our Kindness Reminder to suggest ways to rephrase comments that are potentially hurtful. This work accelerates our ongoing efforts to foster neighborhood vitality.

Earlier this month, we were honored to participate as the NAACP National Convention Closing Plenary Keynote with NAACP President and CEO, Derrick Johnson, on the theme of thriving together. In working with trusted advisers and partners such as President Johnson; Dr. Jennifer Eberhardt and the Stanford SPARQ Lab; and Julian Holt-Lunstad, Founding Scientific Chair and Board Member for the U.S. Foundation for Social Connection and the Global Initiative on Loneliness and Connection, we are creating a welcoming platform that enables all neighbors to thrive. While there is more to do, features like the generative AI Assistant and Kindness Reminder, are an integral part of our growth and engagement strategy.

Beyond AI, we launched several other product features designed to enhance the Nextdoor user experience and drive engagement and ultimately revenue. For example, contextually relevant ads on our classified surface, For Sale and Free, through our partnership with Microsoft Bing. Now when neighbors search for an item, for example, a bike, they see neighbor posts for bikes as well as relevant ads for bikes. Contextually relevant ads create a better neighbor experience and provide strong advertiser value.

One of the most significant areas of progress in Q2 was on our ad platform. Over the past several quarters, we've been building the foundation for our improved self-serve ad experience, designed to reduce advertiser efforts as well as our proprietary ad server designed to improve advertiser outcomes. Our self-serve ad experience, the Nextdoor Ads Manager is now available to new advertisers of any size. Additionally, we have started migrating existing advertisers to the improved experience, and we're seeing positive results.

One newly migrated solar company in Arizona said they greatly appreciate how our ad creation tool allows them to serve ads to specific ZIP codes in a uniquely local and hyper-targeted way. It is a testament to the ease and functionality of the Nextdoor Ads Manager as well as proximity in place as some of our key differentiators.

The Nextdoor Ads server is now delivering 100% of U.S. SMB demand. The server is already offering a more powerful advertising experience, including faster loading times and better distribution of ad impressions. Over time, the Nextdoor Ads server will provide better targeting and optimization capabilities, benefiting customers and neighbors alike.

In closing, we are pleased with the progress we've made year-to-date on many key product initiatives and business metrics, and we're excited to continue executing on our top priorities, growing our base of neighbors and organizations, deepening engagement and driving revenue growth by supporting advertisers through our ad platform. We returned to revenue growth and adjusted EBITDA margin expansion in Q2, and we remain confident that we will continue to generate revenue growth and margin improvement in 2023 overall and beyond.

And with that, I'll turn it over to Mike.

Michael James Doyle
CFO & Treasurer

Thank you, Sarah. Q2 revenue of \$57 million grew 4% year-over-year and demonstrated increasing momentum throughout the quarter. We saw several areas of revenue growth in Q2. Consistent with the past few quarters, mid-market advertisers continue to be an area of strength. We added 17% more mid-market logos quarter-over-quarter, and small- and medium-sized businesses, or SMBs, returns to revenue growth. We are continuing to see the benefits of our strategy to deepen our relationships with advertising agencies who can help us unlock spend from new customers and increase revenue diversity. In Q2, 77% of new global enterprise accounts came through agency partnerships.

International revenue grew by 28% year-over-year, and we added 79% more new logos internationally this quarter than in Q2 of 2022. Growth in the financial services and real estate verticals overall remains muted, but this was offset by strength in other verticals, including health care and travel. And many of our larger advertisers continue to increase spend. For example, Leaf Home doubled spend from Q1 to Q2 of this year as a result of strong performance on the platform.

Q2 ARPU of \$1.37 declined 7% year-over-year, reflecting another quarter of growing year-over-year WAU and impressions, both of which outpaced revenue growth in the period. Q2 adjusted EBITDA loss was \$19 million, representing a negative 33% margin. This is a 4-point year-over-year improvement and an 11-point sequential improvement in margin, reflecting a combination of revenue growth and expense management, while also ensuring we are resourced to deliver on our long-term growth objectives.

Notably, we grew cost of revenue just 2% year-over-year as platform hosting cost efficiencies drove operating leverage. Our Q2 operating cash burn of \$12 million was better than the adjusted EBITDA loss, reflecting another quarter of benefit from interest income. We ended Q2 with \$552 million in cash, cash equivalents, and marketable securities. We will continue to evaluate our capital allocation opportunities looking forward.

I'll close with our outlook. We expect Q3 2023 revenue growth to be in line with our Q2 growth rate at approximately 4% growth. Based on progress to date, we expect Q4 year-over-year revenue growth to accelerate, implying mid-single-digit year-over-year growth for the full year of 2023.

Turning to adjusted EBITDA. We expect Q3 adjusted EBITDA loss to be minus \$21 million to minus \$20 million. We continue to expect to return to adjusted EBITDA margin improvement for the full year 2023, and we will hold sequential operating expense growth to low single digits in the second half of this year. We have made substantial progress across key business metrics year-to-date and remain focused on growing WAU and revenue through our 2023 product priorities.

Thank you for joining our earnings call today. With that, I'll turn it over to the operator for Q&A.

Question and Answer

Operator

Thank you. [Operator Instructions] Our first question today comes from Youssef Squali with Truist.

Robert Charles Zeller

Truist Securities, Inc., Research Division

This is Robert Zeller on for Youssef. Thanks for taking our questions.

Increasing the content from nearby neighborhood. It seems like a really good idea because the more relative content a user will see the more time they will spend in the app. But I'm curious, how do you strike the balance between expanding to more content from nearby neighborhood while also maintaining the value proposition of that post proximity and localization. I'm just curious like how much more room is there to expand this without losing Nextdoor's core value proposition? And then I'll have one follow-up. Thanks.

Sarah J. Friar

CEO, President & Chairperson of the Board

Great. Thank you, Robert. It's a great question, something that we've discussed a lot internally. I think the punchline answer is personalization. But let me kind of backtrack a little.

Nextdoor has been on a shift of going from private to local. We used to be the private social network for your neighborhood and we really broke that apart over the last couple of years. It really has moved to become much higher utility for neighbors and much higher in terms of community. So there's a balance here. But one of the first moves we made was to be able to have Anyone content. So that allows us to have content travel depending on how useful it is.

For example, something about lost keys from a run you ran or a lost pet probably should stay hyperlocal. In the end, they are not going to go that far. But if you think about something like an emergency situation, right, with all moving under, sadly, tornado warnings and high heat exposure, those could be examples where you actually want the content to be able to travel across multiple neighborhoods. So that was a big push on Anyone content. Of course, that also gives us a lot of leverage in areas like SEO as well.

But I'm going to come back to personalization because this is a place where we've been doing a lot of deep investments from an AI ML perspective. I joined Nextdoor because of the unique data set, right? We are the local knowledge graph, highly dynamic, very unique content. On top of that, you'll hear other companies talk about having to get their data tagged or labeled. Nextdoor is really interesting in that our data effectively gets labeled in real time by our neighbors.

So the ability for them to say, "Hey, this is a post about recommendation, this is something I'm flagging for moderation. This is something I'm selling or something I'm offering for free," right? That gives us a really interesting base to them to be able to apply models on top of. And so being able to train those models means that we have a lot of possibility to do better personalization for some people, local is literally they're building or their street and for others, local might be the whole company. There is even for an individual, if they are looking for their lost keys from a run, local is a very small radius. But if they're looking for an emergency plumber, they're probably willing to have a post travel further to get the utility. So even for individuals, the concept of local can change depending on the use case and on the context.

So that's the balance for us. That's why we have done this kind of long-term multiyear efforts to move from private to local. It now gives us the ability to move content based on personalization. But then to where you started with your point, it also now allows us to really up the amount of liquidity in neighborhoods that are perhaps younger where we don't have as many neighbors at the moment, not creating as much content. When we can do that, we're already seeing the offshoot of that, which is higher engagement and bring more verified neighbors to the platform, and it allows for deeper scrolling into the app itself.

So that's why you saw WAU at 13% year-over-year, but session depth grew faster. And in fact, we told you that the percentage overall of session depth was up about 24% just since the end of last year. So appreciate the question. Happy to take the follow-up.

Robert Charles Zeller

Truist Securities, Inc., Research Division

Okay. Great. Thank you. And yes, the follow-up is just a clarification. So I understand the Assistant feature seems pretty straightforward for helping improve posts. I'm curious how it exactly works for the business-related purposes? It seems like a very interesting new utility for the Assistant feature for business-related purposes. So how exactly does that work?

Sarah J. Friar

CEO, President & Chairperson of the Board

Yes. So right now, one of the big use cases on Nextdoor is giving and getting recommendations, and this is a place where we're seeing, in particular, the AI, the Assistants do very well for you. So if I'm looking for a recommendation for hair salon or I want to give a recommendation for the amazing doughnut that I had this morning at the local coffee shop, those are places where we see the AI's ability to rewrite the post in a much more engaging way already taking off. And we're seeing the majority of neighbors accept the comps and say, yes, I would rather post it this way.

What we're learning is as we get into the long tail, where maybe there's less aggregation, like less similarity to the post. Neighbors are still better at being engaging and so this is where now the iteration of AI begins where there will be places where we have a lot of data, and that allows us to give really good kind of offers of different ways to write a post. And in other places where there's just a long tail and the ability to sign really authentic and local really matters. And again, it just keeps coming back to what's so unique and differentiated by Nextdoor, which is the fact that we have this local, very unique, highly dynamic local knowledge graph.

I think where we're going -- I don't think. Where we're going with generative AI is thinking about our ad platform because we have this insight now that says an AI can actually be very effective in writing a recommendation, which is really just a step away from writing an ad. The benefit of building our own next-generation ad platform, which we're through the build on, is that we can now take advantage of next-generation technology and leapfrog in effect.

So we think that there's very fertile ground to start creating an ad using generative AI, which is pulling from what neighbors have already written about a business, maybe pictures, they've already posted about a business. So that when you as the business -- and you might even be a big business, not just a small business, but in small business land, you're everything. You're creating a product, you're the service provider, you're the CFO, you not the person doing all the legal stuff. You're making sure the server showed up. and they're also the CMO.

And if we can make your life easier and how that kind of wow moment where it's like, "wow, Nextdoor really understands me." We think that is a phenomenal way to get a great ad out for local business, so they get more revenue and also have a great outcome for a neighbor where they feel like it's great content. And that's why I quoted the 4.1 million claimed pages because that's kind of the immediate place to go, right? Those are businesses that have taken a first step with Nextdoor. They claim their business page, almost doubled since we went public, and now we know we can go back and sell them on that upsell moment from just posting and not turning it into an ad, hopefully, with generative AI helping.

Robert Charles Zeller

Truist Securities, Inc., Research Division

Okay, great. Thank you very much.

Sarah J. Friar

CEO, President & Chairperson of the Board

Appreciate the question.

Operator

Our next question comes from Eric Sheridan with Goldman Sachs. Please proceed.

Eric James Sheridan

Goldman Sachs Group, Inc., Research Division

Thanks so much for taking my questions. Maybe two, if I could. One, just drawing to the comment you made about agency relationships and the nature of that being a driver of advertising momentum in the quarter. Can you talk a little bit about some of the investments you've made to date and how you're thinking about the execution piece in terms of building agency relationships through this year and then more importantly, as a backdrop for budget decisions into next year that could possibly step up either advertiser count or your advertising revenue base going into 2024. Thanks so much, Sarah.

Michael James Doyle

CFO & Treasurer

Eric, this is Mike. I'll take the question. So much like we have built out our approach in industry verticals, we've made a significant investment in building a team to deepen our relationships with advertising agencies. First and foremost, it's to help to build awareness of the Nextdoor platform and then to leverage the agency relationships with their client base to help them to learn how to best take advantage of our platform.

We have a variety of web ways we do this, including some advanced relationships where we have preferential treatment of a client base within agencies who just allowing us to give more introductions through the average advertiser client base. This has helped us really to make that -- to the first introduction to get the trial budgets and then to deepen the spend on the platform. So you mentioned 77% of our new enterprise accounts in Q2 had an agency partnership component, and we will work together with the agencies to make sure that we're delivering the performance and meeting the expectations of their client base. This is an area that we continue to invest in, and it works alongside with our direct relationships with the advertisers.

Eric James Sheridan

Goldman Sachs Group, Inc., Research Division

Great. Thanks for the follow, Mike.

Sarah J. Friar

CEO, President & Chairperson of the Board

Thanks, Eric.

Operator

Our next question comes from Ron Josey with Citi. Please, proceed.

Ronald Victor Josey

Citigroup Inc., Research Division

Great. Thanks for taking my question. I've got two. Sarah, I wanted to dig in a little bit more about adding and improving contextually relevant ads for For Sale and Free on Nextdoor. So talk to us a little bit more about, if you could, the size of the classified business in terms of traffic or sessions and then specifically how big monetization might improve the user experience and how it's integrated? That's the first question. And the second question is just on WAU. I think that declined sequentially. Any additional insights there would be helpful.

Sarah J. Friar

CEO, President & Chairperson of the Board

Yes. Thanks, John. So first of all, For Sale and Free, I maybe start to by breaking out, if you look at why people come to Nextdoor, #1 is give and get recommendations, I just talked about. But the second reason

is the marketplace that we have that we call For Sale and Free. It's actually quite large. We see over \$1 billion per month, put on For Sale and Free and one of the things -- why do we win there, why people come to Nextdoor. #1 is its hyper local. So if you're trying to get rid of, I don't know if something in a garage or a table, not going to set access, you need someone that can probably show up at your house. #2, it's high trust that someone is probably going to show up at your house. And then the third reason is this investment in community that we see through that platform, where also someone like, say, a mom might give away a bike that a kid has grown out of personally because she or maybe a dad, he, wants to give back to the community as well. And in fact, I think it's something like about 20-ish percent of all the items in the catalog are actually offered for free. So it's an incredible value proposition called local community.

I love that you picked up on the piece where we obviously put ads onto that surface. And historically, we've more to put our ads that we're getting broadly speaking for many clients that are buying at on the platform. What we did in Q2 is we integrated in with Microsoft Bing's ad platform, where now we can do a much more contextual ads. So when someone searches for a bike, for example, we also can show them the bikes that are available from the community, but we can also show them a contextual ads.

And there's a couple of things we're doing here. #1, we just want the neighbor experience to be awesome, right? You're trying to get a job done. I need to get a bike from my kid. We want you to be able to do that, whether you buy it through an actual third-party vendor or whether you can get it from your community. But it's also a way for us to keep testing this deep set of beliefs we have, but we have so much information in such a high intent audience that if we can keep offering an ad that has high contextual relevance in the moment, we can prove that from an advertiser perspective, they're going to have the best possible outcome.

And the good news with the Bing Ads that we're doing is, the answer is yes, yes, yes, yes. They're incredibly performing. So it's given us a lot of confidence that as we move to our new Ad tech track and are able to actually take advantage of our proprietary data, we're going to be able to add more and more of this contextual relevance. Sometimes to search, but also just generally speaking, because we know something about you as an individual or we know something about your community.

Ronald Victor Josey

Citigroup Inc., Research Division

That was super helpful on the classified and exciting. I was just wondering on the WAU. It looks like it declined sequentially. Anything to call out there specifically?

Sarah J. Friar

CEO, President & Chairperson of the Board

No, I would say, overall, as we looked at it in terms of the first half and felt we've had a lot of outperformance in Q1 and probably to settle down a little in Q2 and we go back to the year-over-year growth of 13% year-over-year, just under 42 million of total WAU. I think a couple of things I really want to call out for you. #1, a lot of our WAU growth is coming from top of funnel Verified Neighbors Growth. And what we're proud of in the quarter as we have cut our own cost to make sure we're staying mindful of margin progression is that over 90% of all of our Verified Neighbors came for the platform organically. So that is a great signal that on Nextdoor, we have strong product market fit.

And the second thing is as people come with Verified Neighbors, they're engaging in a best-in-class way. So Verified Neighbors to WAU ratio has stayed up just a little over 50%, but also the down ratio also stayed at over 50%. So that's a strong signal for us what that means for overall growth. And we add about 2 million new Verified Neighbors a quarter right now, and that's with no halo effect from any paid marketing, et cetera.

Going down the funnel from the WAU session, and why that's important is because of course sessions are going to get your own impressions and impressions are what's going to get you to revenue. Session growth was actually faster than WAU growth, and that has also been true for the last couple of quarters, and that's because we're driving -- as people come to the platform, we're driving them to go deeper

on the platform, and that's because we're putting more content in front of them that is valuable. And that's an output of all of the investments we've done from an AI ML perspective. So we talked about how a session growth continues to outpace WAU growth.

And then finally, in terms of retention, we continue to see ongoing strength from a retention standpoint. All the same, the cohorts are sticking around as we have seen in the past couple of years, there's no changes there. So again, really strong signal that once we get you, you stick around and you send that value on Nextdoor.

As we look forward into Q3 in the back part of the year, our expectation for Q3 WAU is it's probably going to be about similar to Q2. We don't want to get ahead of ourselves, but we are putting a lot of focus on driving that type of funnel growth right now and continuing to drive session growth depth. So that's giving us the confidence that we can continue to drive revenue growth and that we'll see that accelerate into the back half of the year. In fact, Q3, we gave you the guidance for it. But if you're kind of doing the math to get to overall revenue growth for the full year for the company, you would know that, that starts to get you into mid-teens and even high-teens type growth rates by the time we exit Q4.

Ronald Victor Josey

Citigroup Inc., Research Division

Thank you, Sarah. Much appreciated.

Sarah J. Friar

CEO, President & Chairperson of the Board

You're welcome. Thank you

Operator

Our next question comes from Brian Fitzgerald with Wells Fargo. Please proceed.

Brian Nicholas Fitzgerald

Wells Fargo Securities, LLC, Research Division

Thanks. A couple on the advertising side, quick ones. Can you remind us what is the expected timeline for the full migration of existing advertisers to the ads manager? Where do you stand today in terms of that? And are you seeing any dynamics of accelerating transition as you kind of get more and more depth of doing that advertisers get more and more depth of using tools? And then I have a follow-up.

Sarah J. Friar

CEO, President & Chairperson of the Board

Sure. Great. So yes, first of all, I'll talk to Nextdoor Ads Manager. So remember, that's the actual interface that you now had, the stand-alone app, and it's all about reducing advertiser efforts. So how do we make it super easy to come to Nextdoor, create an ad, and get it that out through and what it needs to do for you growing your business. The good news is in the quarter, we're now at a point where we -- businesses of any size, including ad agencies can now self-serve on the platform. So that was our big goal to get to that point where everyone could self-serve. And now over the next couple of quarters, is the start of migrating our existent customer base. So net new customers can self-serve for their heart's content. And now we're moving net new -- or sorry, migrating our current base, I just want to make sure I get that straight. So that should be done over the next couple of quarters.

What they're seeing is it's a more powerful tool. We're able to give them better performance metrics, better reporting. They like the simplification. In my prepared remarks, I talked about the solar company out of Arizona. A good example of mid-market clients. They like it because they can just be very precise in their targeting. They know exactly which neighborhoods they currently have a lot of penetration in and frankly, where they need to go south, and they really view that as differentiated on Nextdoor. They can't do that as well on other platforms. So that's Nextdoor Ad Manager.

The other piece, which is the back end, Nextdoor Ad Server. That's our back-end piece, which is about advertiser outcomes. So how do we make sure the apps performed better. There, in terms of progress in Q2, we've now delivered 100% of U.S. SMB demand on it. And as we look forward into Q3 and Q4, it's about now how do we bring all of the mid-market over. And then 2024, we'll be bringing finally the large enterprises. What we're doing it in that order is really about just managing risk. I think what we're seeing right now with NAS is actually a lot of stuff that makes us quite excited.Â

As I mentioned on the prior question, first of all, the latency has gone down. So not having to call out to someone else's ad server or ad platform means that as you're scrolling through the feed, we don't miss an opportunity to put that right ad in front of you. So that's good from a revenue standpoint. Second is we can do a much better job of optimizing ads targeting and ad delivery. So again, making sure that the right ad is going out at the right time. Like when do you want to see the advert from the local bakery or what they've got going in the morning versus when do you need an ad from the local plumber or the local flooring experts.

And then finally, ad relevance. Again, from a neighbor perspective, what does the neighbor see and why. So we're really happy to finally be making these moves. Q2 is a really big quarter for us. The momentum on the ad tech side was really phenomenal. I'm super grateful to the team, and I feel like it's starting to show up in our results. The fact that we're besting year-over-year growth and looking at acceleration as we get into the back part of the year, it's pretty exciting.

Brian Nicholas Fitzgerald

Wells Fargo Securities, LLC, Research Division

Got it. And then just in prior calls, you've shared the retention levels for your top 50 advertisers. Any update on that, the latest advertiser numbers or revenue attach rates?

Sarah J. Friar

CEO, President & Chairperson of the Board

I mean, overall, if you look at Q2 in terms of retention trends, we saw stable to improving advertiser retention trends through the quarter, in particular, what we would call kind of managed advertisers. So folks that our sales team is touching directly, self-serve was more stable, I would say. Retention amongst the largest advertisers still really high, not as kind of change from the numbers that we've given you before. So that is good.

And the final thing I'd say in terms of what makes us a little bit more upbeat, there are verticals like financial services, home services, but I think they're still under a lot of strain. They're not really spending, but we know that we really performed for them. So the fact that we can now get back to growth with a lot of newer verticals that we weren't really servicing a year ago, looks like health care, government, and so on, makes me excited for the latent capacity that is hopefully there as these other verticals begin to see some return to normal. So overall, yes, doing good on from an advertiser retention standpoint as well.

Brian Nicholas Fitzgerald

Wells Fargo Securities, LLC, Research Division

Awesome. Thanks, I really appreciate it.

Sarah J. Friar

CEO, President & Chairperson of the Board

Thank you.

Operator

Our next question comes from Mark Mahaney with Evercore.Â Please proceed.

Mark Stephen F. Mahaney

Evercore ISI Institutional Equities, Research Division

Thanks. I just have two quick questions. Did you already comment on just the overall advertising environment? How you would describe it since the beginning of the year, stable, soft, starting to recover anything like that? And then could you also secondly just call out particular verticals? Is there any change in kind of the vertical strength and weakness that you've seen over the last year or two?

Sarah J. Friar

CEO, President & Chairperson of the Board

Okay. Well, I'll take the first and then I'll let Mike definitely should jump in on the second.

So overall, Mark, we've seen a bond on the ads market, one to get too carried away, but definitely Q2 felt like a better quarter for each month actually got better from a year-over-year growth perspective and that continued in the first month of the new quarter. Generally, I would say probably advertisers just a little bit more optimistic. I don't think the recession has manifested to the same degree that people may have feared. I think secondly, when I talk to marketers, they're ready to do more full funnel advertising again. Now they clearly need to get the dollars to do that, but they want to be able to do a better mix of brands all the way down to performance marketing. They've been in this kind of trap of performance marketing only if they're spending at all. And they're kind of recognizing full funnel, they need in the end to come back to that if they're going to be able to create the sort of brand recognition, the field, the emotional call that a consumer feels to our brand.

And then if I think about we were in comments here, I mean the themes we've heard in the comments really kind of resonated for Nextdoor. A lot of conversation about showing up authentically, showing up around community, around local, really kind of struck a chord and I think Nextdoor's ability to show up and say, we're about real people. We know a lot about where you live, we're targeting a high. We're about a high intent audience that's in a mode of spending like they're looking for a plumber or they're looking for a dog groomer. And then finally, the fact that we can do this very customized local at-scale messaging is also very unique and interest line. And so the incrementality is quite high relative to other platforms. So I think that's the other reason why agencies are starting to do a lot more work with us, as Mike talked about earlier.

Michael, why don't you take the vertical on the scale of business conversation.

Michael James Doyle

CFO & Treasurer

Yes. If I could just add, I mean, as Sarah mentioned, we're seeing some recovery in the ad market. There is some choppiness as well but we've seen continue to see strength in our mid-market business as we've added a record number of new logos. We also saw the SMB business return to growth, and we're continuing to see momentum there, which is something new to add to this discussion this quarter. And there's still some pressure on average spend per advertiser, but really are pleased with our ability to retain and acquire advertisers. I think that speaks to advertisers being willing to be out there and spending to drive demand into their own businesses.

We manage our group of advertisers as a portfolio, and part of our investment in the advertising agency channel has been really to improve diversification there, and it is yielding results. And so we talked about the verticals that are performing in a very strong way for us: home services, health care, tech and telco, travel, pets has been really an area of fast growth for us as well, and it allows us then to work with advertisers to help them in their cut back to spending in areas like financial services and in real estate.

And then I think the other aspect of that is just being -- having the platform of capabilities in multiple areas, things like brand awareness versus performance advertising and working with our advertiser partners to drive spend in ways that they need to, based on the performance in their underlying businesses.

Mark Stephen F. Mahaney

Evercore ISI Institutional Equities, Research Division

Okay. Thank you, Mike. Thank you, Sarah.

Sarah J. Friar

CEO, President & Chairperson of the Board

Thanks, Mark.

Operator

Thank you all for your questions. There are no more questions waiting at this time. [Operator Instructions] There are no more questions waiting at this time. So I'll pass the conference back over to Sarah Friar, CEO, for any closing remarks.

Sarah J. Friar

CEO, President & Chairperson of the Board

Sierra, thank you so much. Thanks, everyone, for joining. As I said at the top of the call, we're really pleased with our return to growth on year-over-year growth across all of our key metrics, WAU growing 13%, revenue growing 4%, and seeing EBITDA margin improvement of 4 points. If I look at what are the levers for future growth, the fact that 90% of users joined us organically in Q2 show really good indications that there's real value on Nextdoor, and that's all without any halo effect from paid marketing. The fact that session growth continues to show strength. It's outpacing WAU growth. So that's a direct link back to revenue and the fact that session depth is up as well.

As Mike mentioned, we saw strength in areas like mid-market sales, international and of course, our ad agency partnerships and the big push from Neighborhood Faves, a really important one, the fact we now have 4.1 million claimed pages that's total ground for upselling. I talked a little bit about the verticals like fin service, real estate that we think will improve over time. We performed really well for them so there's latent capacity there. And then, of course, our opportunity on AI. Nextdoor is the local knowledge graph with label data, high-intent audience, real people in the neighborhoods everywhere. So we are laser-focused on growing WAU in revenue.

And I want to say huge thank you to the team because this was a great quarter for momentum in terms of the product build. We're on track to reach revenue growth and margin improvement for the full year while also investing in the long-term opportunity for the business. So thanks for your time. We look forward to any follow-up questions, and we'll talk to you all in 90 days. Thanks a lot.

Operator

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

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