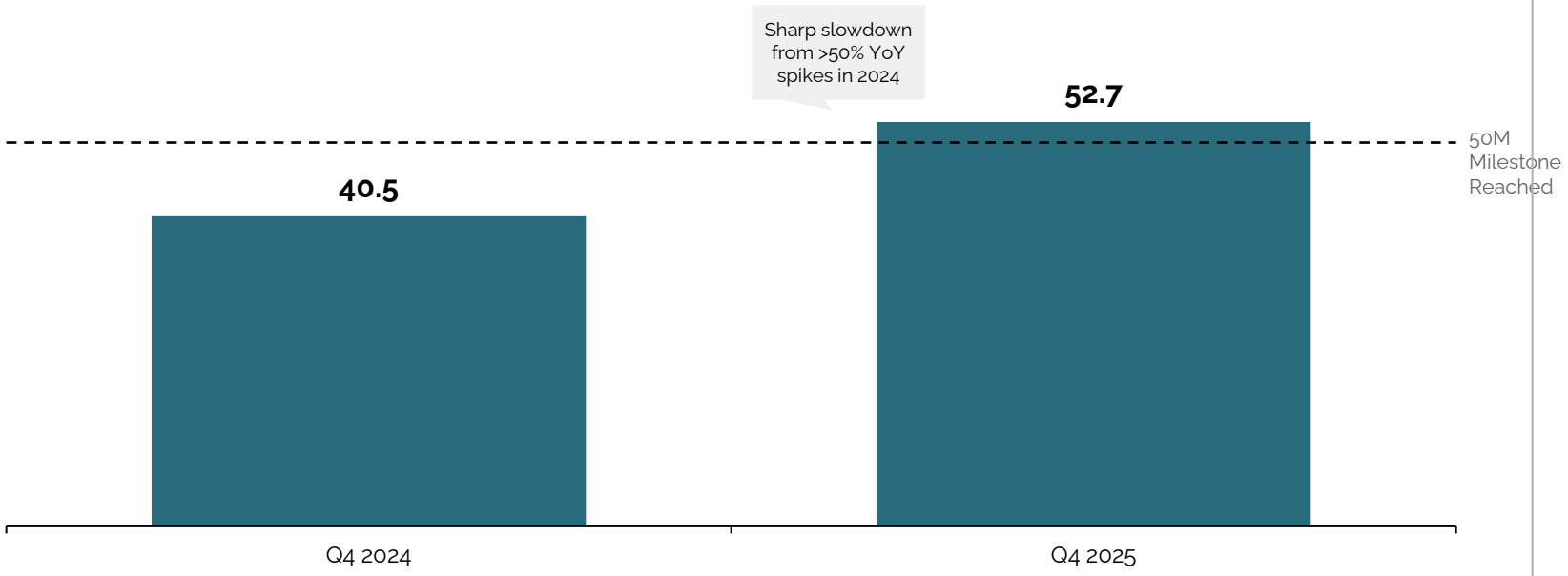
# Duolingo achieved record profitability and surpassed 50 million daily active users in 2025

*While DAU growth rates are maturing, the company delivered a historic 'Rule of 82' driven by massive free cash flow generation and scale*

| >$1.0B | >$1.1B | 37.4% | 82.2 |
|---|---|---|---|
| 2025 Revenue (+44.8% YoY) | 2025 Total Bookings | Q4 Free-Cash-Flow Margin | 'Rule of 40' Score |

**Daily Active Users (DAU) Trajectory & Maturing Growth**

*Absolute DAU (Millions), Quarter*




## Commentary

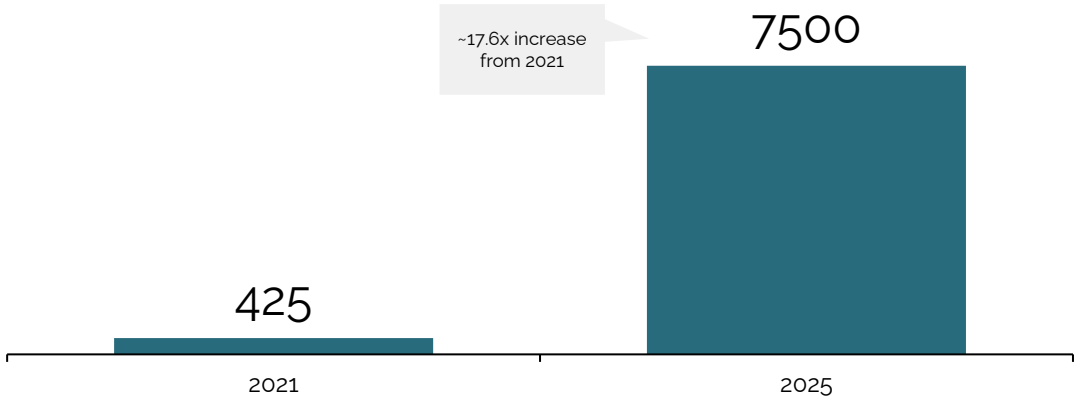
- **Historic Profitability at Scale:** Duolingo posted an extraordinary 37.4% FCF margin in Q4, driving a 'Rule of 40' score of 82.2—more than double the standard benchmark for elite SaaS/consumer tech.
- **Milestone Reached:** The platform successfully crossed the 50 million DAU threshold in 2025, pushing Q4 DAUs to ~52.7M.
- **Maturing Growth:** While absolute numbers continue to climb, the rate of new user acquisition is decelerating, with Q4 2025 YoY growth slowing to 30% compared to ~51% in Q4 2024.

Source: Q4 2025 Shareholder Communication & Earnings Updates

# Aggressive integration of generative AI is expanding course catalogs and driving premium subscription revenue.

## AI scales content production and course availability

**AI-driven content production (units)** | *Content Units, Year*




- **148** brand-new language courses launched in 2025, doubling the language catalogue.
- **28** user-interface languages supported, making the seven most popular non-English courses universally accessible.

## GPT powered "Max" tier lifts ARPU and revenue

**Duolingo Max (Launched 2023)**

- ✓ "Explain My Answer" and unlimited AI feedback
- ✓ Role-play simulations
- ✓ Real-time video conversations with AI tutor Lily
- ✓ Priority access to new AI-generated courses

**7%**
Max penetration rate driven by AI-enhanced premium features

**~$1B**
FY 2025 revenue outlook, reflecting a direct lift in ARPU

**>140%**
Top-line revenue growth since Max tier launch in March 2023

**41%**
Revenue jump in a single quarter following the rollout

Sources: Company announcements; Substacks; GlobeNewswire; Financial reports.

# Leadership is intentionally sacrificing near-term monetization to reduce friction and reinvigorate daily user growth.

Analysts describe the 2026 strategy as a 'Growth-Over-Monetization Gambit' — prioritizing massive user expansion over near-term financial optimization.

## The Catalyst: User Friction

**DAU Dip**

- **Aggressive monetization tactics** in early 2026 (Energy Mode, increased ad loads) created noticeable user friction.
- Resulted in a **dip in daily active users (DAUs)** and user backlash.
- Prompted management to pause 'unhinged' marketing to listen to customers and rebuild 'brand love' and teaching quality.

## The Trade-Off: Monetization Sacrifice

**~$50M**

*Foregone near-term FY26 bookings*

- Deliberate **'user-first' pivot** that intentionally de-prioritizes short-term revenue optimization.
- Resources and focus shifted to fund massive **top-of-funnel user acquisition** and engagement initiatives.
- Expect **slower bookings growth** and lower profitability/margin pressure in 2026.

## The North Star: User Expansion

**100M**

*DAU target by 2028 (up from >50M today)*

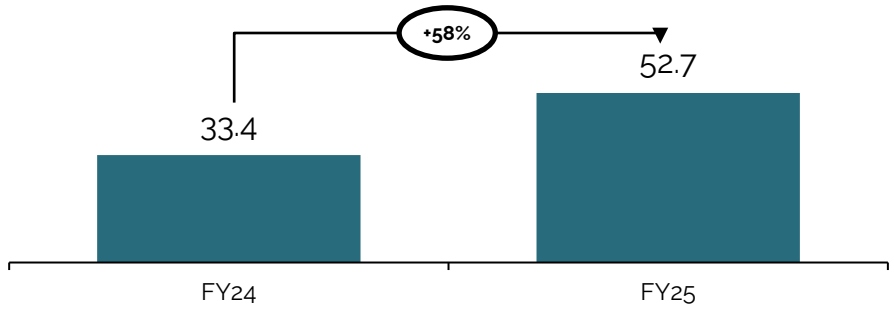
- Targeting aggressive **~20% year-over-year DAU growth**.
- Expanding the **free tier** to reduce friction and capture wider global audiences.
- Heavily investing the foregone profits into **AI-driven tools** and the launch of new subjects.

Source: Duolingo Q1 2026 Earnings, Analyst Reports

# Future product strategy hinges on scaling non-language verticals and managing artificial intelligence delivery costs

Duolingo's AI-first strategy drove a ~58% YoY DAU surge in 2025, but the push to 100M users will test unit economics.

**Surge in Daily Active Users (DAUs)** | *DAUs (M), Fiscal Year*




**>50M**
Daily Active Users

**34%**
Paid Subscriber Growth

**$1.1B**
Total Bookings

## Pillar 1: Scaling Non-Language Verticals

### Current Traction (End-2025)

- Math, Chess, and Music verticals now account for **~8% of total DAUs**
- Delivering **12% higher average engagement** per user than core language courses

### 2026 Growth Projections

- Projected to drive **~20% YoY DAU growth**
- Expected to contribute **$45-$55M of incremental revenue**

## Pillar 2: Managing AI Delivery Costs

### Prioritizing Scale Over Short-Term Monetization

- Management targets **100M DAUs** in the medium-term
- Deliberately focusing on the **free-learner experience** to 'teach better'

### Unit Cost Opacity

- Q1 2026 AI delivery cost per active user **remains undisclosed**
- Company has not broken out AI delivery expenses on a per-user basis
- *Insight: Rapidly scaling free users on compute-intensive AI features introduces margin uncertainty*

Source: The Motley Fool; Quiver Quantitative; Golden Door Asset; Duolingo Earnings