



# Q3'24 Earnings Transcript

**Interactive Earnings Video**

November 4, 2024

## **Gillian Munson - CFO**

Hi, I'm Gillian Munson, Vimeo's CFO, here to highlight some key themes from our third quarter 2024 results. Before that, I encourage you to read through our safe harbor disclosures on [investors.vimeo.com](https://investors.vimeo.com).

I would like to leave you with 3 takeaways from Q3:

First: We delivered stabilization in our topline by way of bookings and continued the work to position Vimeo for profitable bookings and revenue growth, which we believe we can achieve in 2025. Bookings growth was slightly positive in the quarter, a four percentage point improvement from Q2. Vimeo Enterprise grew bookings 39% and hit the \$100M run rate mark, a great achievement for our team, and a testament to this product's potential.

We continue to see the opportunity for growth at Vimeo. We believe that the math is starting to be in our favor for a number of reasons. Vimeo Enterprise is getting to a size and scale where it can lift our growth without major changes in the trajectory of other products. We continue to show price momentum with an uptrend in ARPU across products, and we will enter 2025 with stabilized marketing spend versus cuts of ~50% throughout this year as well as investment funding for growth initiatives.

Second: The strength of the Vimeo model was on display in Q3, as we were able to show incremental profitability despite a decrease in revenue. Gross margin was healthy at 79%, and operating expenses continued to be down year-over-year, though up slightly versus Q2 as we began to make focused growth investments. Since 2022, we have lowered quarterly operating expenses meaningfully while managing to deliver essentially flat quarterly gross profit dollars and executing a number of transitions at the company. We generated \$21 million in cash from operations in Q3 and ended with an enviable \$325 million in cash.

Third: In Q3 we began to accelerate our investments in growth initiatives with a particular emphasis on Research & Development, including innovations like our new Apple Vision Pro app, which enables a whole new way to experience video. We believe that these investments will position us to capitalize on the significant market opportunity ahead from a very solid business model base.

We're optimistic about what we can achieve in 2025 and look forward to updating you with additional detail on our Q&A call and again next quarter. Thanks for watching!

## **Philip Moyer - CEO**

Hi, I'm Philip Moyer, Vimeo's CEO. We had strong performance in the third quarter. Bookings growth turned slightly positive, we delivered \$105 million in revenue and \$21 million in operating cash flow. This performance is a testament to the incredible work our team has done, and I'm excited about what more we can accomplish.

On October 23rd we hosted our inaugural, sold out user conference, Vimeo REFRAME, which brought together creators across professions and industries to share best practices for integrating video into their business operations.

The following clips from the event highlight why I'm so excited about the value we can provide for our customers and the opportunity for Vimeo ahead.

Check it out.

REFINITIV STREETEVENTS

# EDITED TRANSCRIPT

VMEO.OQ - Q3 2024 Vimeo Inc Earnings Call

EVENT DATE/TIME: NOVEMBER 04, 2024 / 10:00PM GMT

## CORPORATE PARTICIPANTS

**Philip Moyer** *Vimeo Inc - Chief Executive Officer*

**Gillian Munson** *Vimeo Inc - Chief Financial Officer*

**Josh Normand** *Vimeo Inc - EVP, Sales & Customer Success*

**Bob Petrocelli** *Vimeo Inc - Chief Product & Technology Officer*

**Jessica Tracy** *Vimeo Inc - General Counsel & Secretary*

**Charlie Ungashick** *Vimeo Inc - Chief Marketing Officer*

## CONFERENCE CALL PARTICIPANTS

**John Blackledge** *TD Cowen - Analyst*

**Tom Champion** *Piper Sandler - Analyst*

**Youssef squali** *Truist - Analyst*

## PRESENTATION

**Philip Moyer** - *Vimeo Inc - Chief Executive Officer*

Hi, I'm Philip Moyer. Vimeo's CEO. We had a strong performance in the third quarter. Bookings growth turned slightly positive. We delivered \$105 million in revenue and \$21 million in operating cash flow. This performance is a testament to the incredible work our team has done and I'm excited about what more we can accomplish on October 23rd, we hosted our inaugural sold out user conference Vimeo reframe which brought together creators across professions and industries to share best practices for integrating video into business operations. The following clips from the event highlight why I'm so excited about the value we can provide for our customers and the opportunity for Vimeo ahead. Check it out.

All right. Slide down on behalf of all of us at Vimeo, I want to welcome you to reframe into the next generation of video we brought you in through the back of the house so that you were part of making the magic with us.

We have been trusted by some of the most discerning creators to help power their stories. We're obviously.

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**Gillian Munson** - *Vimeo Inc - Chief Financial Officer*

So passionate about the medium of video.

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**Josh Normand** - *Vimeo Inc - EVP, Sales & Customer Success*

Reframe. This conference is really all about video and storytelling. Please.

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**Bob Petrocelli** - *Vimeo Inc - Chief Product & Technology Officer*

Welcome Martha Stewart.

How can we take Martha content which is vast and what do we do with that video? What do we do with that audio and how do we do that best in AI?

**Jessica Tracy** - Vimeo Inc - General Counsel & Secretary

With our AI solution? You can easily translate and transcribe videos into multiple languages. That's.

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**Charlie Ungashick** - Vimeo Inc - Chief Marketing Officer

Exactly what reframe is all about redefining. What's possible with video.

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**Josh Normand** - Vimeo Inc - EVP, Sales & Customer Success

It is some badassery like you've never seen before. You know, relevancy is using the tool, the technology, the innovation. Well.

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**Charlie Ungashick** - Vimeo Inc - Chief Marketing Officer

We're constantly evolving and innovating to help our customers leverage the very best in video storytelling.

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**Operator**

Creators don't want to be replaced, they want to be uplifted, they want to be protected and they want to be accelerated.

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**Bob Petrocelli** - Vimeo Inc - Chief Product & Technology Officer

You're getting a lot of like minded people that are really passionate about storytelling community and most importantly, videos.

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**Gillian Munson** - Vimeo Inc - Chief Financial Officer

This is the moment to act, build, test and iterate. So don't wait for the future, start building it today.

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**Josh Normand** - Vimeo Inc - EVP, Sales & Customer Success

Hello and thank you for joining Vimeo's Q3 2024 earnings live Q&A before we begin a few comments, first, this session will be recorded and available on the Vimeo Investor relations site later today. Second, we will discuss Vimeo's outlook and future performance. These forward-looking statements typically may be preceded by words such as we expect, we believe we anticipate or other such statements. These forward-looking views are subject to risks and uncertainties and our actual results could differ materially from the views expressed today. We've also provided information regarding certain key metrics and our nongAAP financial measures including certain forward-looking measures. These should be considered in addition to and not as a substitute for or in isolation from GAAP measures. Additional information regarding Vimeo's financial performance including reconciliations with comparable GAAP measures can be found in our shareholder letter and Vimeo's filings with the SEC as well as in supplemental information posted on the investor relations section of our website. With that, I'll turn it over to our CEO Philip Meyer, Philip.

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**Philip Moyer** - Vimeo Inc - Chief Executive Officer

Thank you for joining us on our Q3 2024 live Q&A video call. I'm hoping the highlights of our Vimeo reframe conference give you a sense as to why we are so enthusiastic about the market and the company that we're a part of. It's an exciting time for video and Vimeo is better positioned than ever to support customers in their strategic video communications.

A huge thank you to our new Chief Marketing Officer Charlie Erss and his team for putting on such an impactful and customer focused event. You know, we're looking forward to building on our compounding momentum and working to return to growth and with that, we'd be happy to take your questions.

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## QUESTIONS AND ANSWERS

### Operator

Our first question comes from the line of John Blackledge at TD Cowen John.

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### John Blackledge - TD Cowen - Analyst

Oh, great. Thanks a couple questions. So the Q3 enterprise revenue and bookings were above our estimates. Could you just talk about the key drivers of the enterprise momentum in Q3 and, and as we rounded to Q4 and looking out into 2025.

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### Philip Moyer - Vimeo Inc - Chief Executive Officer

You know, there's a couple of things I would say, thank you for the question. We're really excited about the enterprise business. You know, increasingly in the consumer marketplace, video has arrived for consumers and it's arriving right now for the enterprise. We like to say that on the public internet, it's about 82% of all the internet is video and we see that exact same trend coming into the enterprise. And so a lot of the work that we've been doing in the business to improve our go to market fundamentals, a lot of the work we've been doing around packaging and pricing. You know, the AOV of our pipeline has gotten to a larger size this already in Q3 and for Q4. And beyond. And I think that a lot of what we're doing inside of the enterprise business, in particular, the investments that we're making in integrations and security are really resonating with customers. So doing a better job with fundamentals as well as innovating and the market just in general has become, is a great place to be in.

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### John Blackledge - TD Cowen - Analyst

That's super just maybe one follow up on the on the cost side, you guys have done a great job of cutting our costs. I'm just curious over the last year or so, just curious about the opportunities for investment in the business. You know, as we look out, you know, into next year, next couple of years.

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### Philip Moyer - Vimeo Inc - Chief Executive Officer

So the team here has done such a good job of getting us to a more efficient place. It's kind of interesting as you look back run rate. We've taken about 100 million in operating expenses annually out of the business and it, and yet the gross profit dollars have stayed roughly the same which has given us such good IDA results. But we think that the second piece of that story is that that's making room for us to make investments. And because we see the opportunity is so big because we have such a strong balance sheet, we think we can apply more capital to investing the business. So we will make some sizable investments as we look out into 2025. You already saw a small sequential increase in operating expense in Q3. We the pace of our hiring will really dictate how fast we can get money to work inside the business that said, and I think it is important to remind everyone, we firmly believe IO should be a profitable business. So these investments will be sizable but not the kind of thing that would put us in any kind of loss position.

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### Operator

Thank you.

Our next question comes from Tom Champion at Piper Sandler, Tom.

**Tom Champion** - Piper Sandler - Analyst

Great. Thank you. Hi Philip and Gillian. Good to see you. Maybe to kick off the, the, the leather explicitly states kind of an intention to return to bookings growth next year. And I'm wondering if you could fill in, maybe, maybe for you could you unpack that a little bit for us and like what, you know, what are the components of that that you see that really give you a lot of confidence that, that that's going to take place and for Philip maybe to just ask one more. I'm wondering if you could talk a little bit on the product side. You know, we saw the announcement on, on the Vision Pro app and you've talked in the past about integrating A I and, and new products and features. What are, what are you doing? What's, what's the opportunity with with kind of those, those two product sets on the Vision Pro side and within A I. Thank you.

**Gillian Munson** - Vimeo Inc - Chief Financial Officer

Thanks Tom. So let me just take the first one. So we feel really good about our opportunity to grow the business next year. The math is really starting to work in our favor and some of the things we're executing inside the business are also going to help us. So just to start from the top, it's kind of an interesting quarter, right? It's a quarter of \$100 million run rates, \$100 million reduced reduction in operating expenses on an annualized basis. And we hit \$100 million of annualized bookings in Vimeo Enterprise, that's a meaningful amount. So the growth that we're having in Vimeo Enterprise will continue to have a positive impact on the overall growth. In fact, if nothing changes in any of the other products, we can grow Vimeo on the back of the Vimeo Enterprise product that said, we actually think there are other trends that are helping us, as we mentioned in the letter and we've talked about a little bit. We are really doing a lot of active work on pricing and packaging and we think that will be a tailwind for the business. Look at next year, secondarily our O TT product, which has been run by a great team that's done a great job stabilizing that product is now a stabilizing factor in the business. And the other products that we've been deprecating will essentially fall away, having a much less impact on the business from a headwind perspective. And then just finally as we turn to more of an investment mode, we are taking in a way, some portion of the headwind we've caused by really cutting costs as much as we have. And we really think what's really interesting about that, particularly as you look at our marketing spend is that we've really pulled back on that and we've taken the risk to do that. You've seen the strong stable gross margin that we've even built to hold up even in that environment. And the team has really learned about a lot about how to get to more positive rois on our spend. And as we kind of go back into an investment mode, we think that can help as well. So we feel really good about where we are both from a math perspective. But then also some of the initiatives we have going on in the company. And that's what gives us the confidence to indicate that we'll come back at the Q4 earnings with more details on how all this might lay lay out. But we want to make sure we highlighted that in the call, Philip.

**Philip Moyer** - Vimeo Inc - Chief Executive Officer

Yeah, I am really excited about a lot of the announcements we made around the Apple Vision Pro and a whole variety of announcements. We made it reframe. You know, one of the things that I think people were excited about artificial intelligence, you know, and some of the work we've done around translations, we're seeing tens of tens of thousands of minutes being translated already by the tool with a really small cohort of customers that we've opened this up to. And so we're excited about everything we're doing in that space. We think we can make video even more intelligent. Like for enterprise is the ability to be able to ask a video, a question. You know, if I'm an E learner, I want to find out what the CEO said in the last earnings call or in the last town hall. We think there's a whole lot of things we can do in that space. We also think we can bring a lot of security to that space like enterprise is really requiring a much higher grade security for video. But as it relates to the format like the Apple Vision Pro A lot of people I think are focused just today on four K, eight K is arriving, 16 K is arriving 32 K formats are arriving. If you watch the Olympics, you saw 360 degree video where it would circle around a basketball player or gymnast. And so these spatial content formats are starting to become normal in storytelling. And certainly the Apple Vision Pro is an example of one of those kind of spatial or virtual reality content types, you know, meta just released their Quest three for work. And so we do expect that this is a new immersive format that we're excited about partnering with all the VR companies. And it's just another example where we've served these kind of formats as they've evolved in the past. And we're showing again that we're going to be serving these kind of formats in the future. What does that mean to the business? Well, most recently, we really modified packaging and pricing. We used to have these cliffs and we used to have these walls and we weren't always, sometimes we were making it hard for customers to buy, sometimes they couldn't buy precisely what they wanted but in a world where you have different formats and you have, you know, different



AI requirements and different storage requirements. We now with packaging and pricing have really smoothed out everything from free all the way up to million dollar customers. We have mechanisms to be able to support customers in whatever they want to buy from us. And so we're excited when you put all those things together. You were able to, I would say monetize a lot of the innovations that we're bringing to customers and make it a lot easier for customers to buy from us.

Yes.

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**Operator**

Our next question will come from Youssef squali at Truist Yusuf.

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**Youssef squali - Truist - Analyst**

Thank you. Hey guys. Nice quarter. So congrats on that. Philip maybe. Can you just double click on the enterprise a little bit? So talked about packaging and pricing that have helped spruce up more demand. Can you talk about particular products within that, those optimization vectors that, that, that have had the most impact?

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**Philip Moyer - Vimeo Inc - Chief Executive Officer**

Sure. So, you know, in the enterprise space, you know, we tend to serve organizations that are in the e-commerce or marketing area. So we have some customers in very large ecommerce sites that joined us in Q3 that brought millions of videos to us to be able to serve in the e-comm in e-comm architectures. We then as well serve a lot of organizations that are doing e learning or internal communications. And we've got a number of great organizations that are doing precisely that with us. Volvo is a great example and then we also have what we call kind of our streaming or media business. And so we've got organizations like dropouts and try guys, we've got the Church of England as an example. And so we look at a wide array of use cases between all those organizations. Now what we're really seeing take hold in with the enterprise. I think I mentioned this is the this enterprise grade security, you know, last quarter, we actually had a very large customer pharmacy organization where we were able to sign a B AAA HPA agreement. And so that if a pharmacy was serving a particular user of the video, after they received a particular medication, we were able to adhere to HPA for them to be able to support that video distribution, that kind of enterprise grade security is extremely important, you know, at our user conference, we also talked about the fact that we're going to be supporting a lot of data residency requirements over in Europe that's being received really, really well as well. We talked about the ability to be able to build what are called workspaces where it can build clusters of videos by different business units inside of an organization received really well integrations that we announced with Microsoft teams as well as Google Meets really important, we already support things like Zoom. So if you can imagine being a video repository for all of those video conferences that you're doing or whether or not it's a sales call, being able to do via video repository, it's very important. And then as we, you know, look to integrations with organizations like hubspot as an example, you know, if you want to do personalized marketing with video, we announced a number of innovations in that space and then we're wrapping all of this with things like AI translation. So if you're a multinational organization, you have to communicate to all your customers. We've got, you know, great capabilities to translate the ability to ask video, a question to be able to get more information out of what was a static file is now a live file for you. So when we go into enterprises, all of those things are selling that ability to be able to use it with ecommerce learning media. And to be able to make your assets is what the, what you need them to be in your market, in your, in your company.

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**Youssef squali - Truist - Analyst**

At a high level. Who do you think is your closest comp for those kinds of services?

**Philip Moyer** - Vimeo Inc - Chief Executive Officer

You know, it's really interesting because I'll see some organizations that might be focused just on e-commerce or I'll see a couple of organizations that are just focused on live events or I'll see some organizations that might try to be a little bit in the e learning space. When I look across all the use cases inside of the enterprise, sales, marketing, public relations, internal communications, e-commerce, customer support, we're increasingly becoming the video repository for the enterprise. We believe that we have the ability to become one of the largest private video distribution platform forms in the world. And we're bringing that enterprise grade security. We're bringing enterprise grade intelligence, we're integrating with your existing systems and we're doing it with all the same ease of use that we had in our self service business. And so I would tell you that I really, it's very rare that we find an organization that is actually serving all the customer spaces that we're in.

**Youssef squali** - Truist - Analyst

Okay, thank you. And then Jillian maybe as you look at the the outlook that you and I know it's a broad outlook and I know you're going to be providing more detail or details later in January and February. But at a high level, does your, your, your growth outlook contemplate positive growth for the self service business? I think it was down 6% in Q3, maybe actually talk about what that implies for Q4.

And then do you expect self serve to basically show positive growth next year at some point next year? Not necessarily every quarter.

**Philip Moyer** - Vimeo Inc - Chief Executive Officer

So we're not guiding yet by business and certainly we do need to continue to climb from where we are in the self serve business. But I think what we're trying to get across is that we do believe we can get that business back to growth. And we believe there are a number of factors like our pricing and packaging, like some of these exciting products we have coming out that are going to help us get there. So we feel really positive about that, more details on that to come back at the year end call. But I think it's also really important to remember that the math is in our favor too, meaning venu enterprise is now at such a size that it can help lift the business. And so any move to the positive is also a positive for our business was as regards self serve and then that the OTT platform, now the vast majority of our other is all. So in a good spot in terms of the Q4 guide, obviously, we don't guide bookings, we guide revenue. And if you, if you do the math on the revenue, it would imply the growth rate comes down in Q4 that has to do with the fact that you have a waterfall of bookings into revenue. And as you may recall a quarter or so ago, we had a down bookings quarter. So that's got to flow through the revenue models, but we're looking forward and we really feel very excited about what's in store for the company in 2025.

**Youssef squali** - Truist - Analyst

Super helpful. Thank you both.

**Operator**

With that. There are no further questions. I'll hand the call back to Philip.

**Philip Moyer** - Vimeo Inc - Chief Executive Officer

Well, again, I want to thank everybody for joining us today. You know, I think it's important to note that both Jillian and I are both buyers of the stock in the previous quarter and that we are outside of what are given to us as as employees of the company. And we're really excited about the trends that we see in the business. And we look forward to updating you again on our Q4 report.

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