



Q4'23 Earnings Transcript

Interactive Earnings Video and Q&A

February 21, 2024

Gillian Munson - Q4'23 Interactive Highlights Video

Hi, I'm Gillian Munson, Vimeo's CFO. This quarter we are doing a short intro video for our earnings report.

To start, you can access our Shareholder Letter on investors.vimeo.com or by clicking [here](#) for financial information and commentary on our results and outlook. Adam Gross, our interim CEO and I are hosting a live Q&A which you can watch [here](#), today, Wednesday, February 21st at 5pm ET, after which you'll be able to access a replay [here](#) once it becomes available.

And while I have your attention, customer success is at the center of all we do at Vimeo. I hope you will click [this popout](#) to see this customer spotlight for Digital Realty Trust, a real estate company and Vimeo Enterprise client since May of 2022, using our platform for executive comms and all hands meetings to reach thousands of employees. It's a great example of why customers love our product.

And finally, Vimeo has increased our delivery of innovation, orienting products and value propositions around core customer segments. You can see the promo video for last quarter's Vimeo Marketing release [here](#).

As part of the Vimeo Marketing release, we're particularly excited about the enhancements we've made to our AI-powered video editor and creation suite. Our new timeline-based editor gives users control and flexibility with easy-to-use and precise video creation and editing tools. It's easy enough that even a CFO can figure out how to use it, which I myself just did yesterday to make an internal video about our Q4 earnings report for my finance team. I encourage you to click [here](#) to learn more.

Please visit Vimeo's IR site at investors.vimeo.com for additional information and disclosures. Thanks for joining!

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

VMEQ.OQ - Q4 2023 Vimeo Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 21, 2024 / 10:00PM GMT

CORPORATE PARTICIPANTS

Adam Gross *Vimeo Inc - Interim CEO*

Gillian Munson *Vimeo Inc - Independent Director*

CONFERENCE CALL PARTICIPANTS

Tom Champion *Piper Sandler Companies - Analyst*

Cory Carpenter *JPMorgan - Analyst*

Brian Fitzgerald *Wells Fargo Securities, LLC - Analyst*

William Kirk *TD Cowen - Analyst*

David Lustberg *Jefferies - Analyst*

PRESENTATION

Adam Gross - *Vimeo Inc - Interim CEO*

Hello and thank you for joining. Vimeo's Q4 and full year 2023 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 non-GAAP 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 reconciliation 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 CFO, Gillian.

Gillian Munson - *Vimeo Inc - Independent Director*

Hello, and thank you for joining Vimeo's Q4 2023 earnings Q&A session. I'm Gillian Munson, CFO, and I'm happy to be joined by Adam Gross, our interim CEO. You can find our Q4 '23 shareholder letter and additional financial materials on our investor relations website. As a reminder, in this session, we will talk through some non-GAAP terms, and you can find the closest GAAP terms and reconciliations in our shareholder letter.

Before we jump into Q&A, a few points on the quarter. In 2023, Vimeo made significant strides in improving profitability while also showing bookings, revenue, and some encouraging product metric improvements in the second half of the year. We delivered solid results in Q4 with revenue flat year-over-year, adjusted EBITDA of \$13 million, and \$10 million in free cash flow, ending the year with over \$300 million in cash.

As we look at our bookings, a couple of key items stand out. Vimeo Enterprise continued its strong double-digit growth trajectory with net revenue retention of 103% and some impressive customer wins in the quarter. In self-serving add-ons, we saw some green shoots that our bet on product-led growth is the right one. Partially offsetting top-of-the-funnel pressure, conversion and AOV improved. And most exciting for us, the team delivered retention improvements in all cohorts in the self-serve business and in aggregate.

Looking ahead to 2024, we continue to believe that Vimeo has a lot of upside potential that's being masked by the post-pandemic market environment and our own proactive efforts to put Vimeo on better financial footing. We have been and are continuing to move to more efficient product-led growth with increased investment in R&D, improved go-to-market systems and processes, and an eye to cost containment, especially in advertising spend.

When we net out the factors impacting our bookings and revenue, we expect they will both decline in 2024 as we work our way to a healthier Vimeo. At the same time, the strength of our business model remains evident. We believe that we can maintain adjusted EBITDA profitability in 2024, despite the impact of roughly \$5 million in cash compensation substituted for equity grants. We are making strategic changes to the business that we believe will lay the foundation for healthier, more profitable growth in the future, and Adam and I are looking forward to talking with you today.

QUESTIONS AND ANSWERS

Operator

Tom Champion, Piper Sandler.

Tom Champion - Piper Sandler Companies - Analyst

Hey, thanks very much and good afternoon. Maybe, Adam, to begin with you, so within bookings, clear progress on the enterprise side, and I'm wondering if you could just talk about how you're thinking through self-serve and the add-on segment, just as you managed to go forward, some of the push-pull between kind of upper funnel friction and maybe improved retention. How are you thinking through that part of the business?

And then maybe for Gillian, the letter talks about lower ad expense after reducing this line item in '22 and '23. How are you looking to further rationalize this, and why does that make sense given the topline implications? Thank you.

Adam Gross - Vimeo Inc - Interim CEO

Yeah, great. Thank you for the question, and I'll see if I can cover the first part of that and hand off to Gillian.

One of the things that makes Vimeo unique is we have tens of millions of people interacting with our products every month, and that's just an enormous differentiation for us. We have the second largest or most popular video player on the market. We have all of these people experiencing and understanding our value proposition every day, and as we've talked about in the letter, we really think there's an opportunity to take that organic traction, to take those product experiences and better and more efficiently convert them into free users and ultimately into paying customers.

We think that that's why product investment is important, why what you've already seen us release in terms of improvements to the overall product experience, to our checkout flows, as you mentioned, focus on both activation and retention. These are things that we are heads down actively working on and optimizing against and are optimistic about for the future, and I'll let Gillian speak to some of the more specifics.

Gillian Munson - Vimeo Inc - Independent Director

Yeah. So as it relates to the advertising spend, I think what you're really seeing is us be more confident. So when we look at the business and we look at the green shoots we see in terms of what product-led growth can do for the business, we're feeling emboldened to take a little bit more risk in getting the business more quickly to the kind of business model we think is the right answer long term. So when we look at advertising spend, we dropped it about 20%-some-odd in 2023 after dropping it in the teens in 2022. We'll probably drop it more this year, and that's going to make room for more product investment that we think is going to get us to the right metrics to get us to growth over time.

When you look at Vimeo as a whole, there's a lot going on at the top line from bringing down the other products, both in bookings and revenue, so that we get that rationalized and then the investments we want to make in self-serve and Vimeo enterprise over time. And so what you're really seeing us do is actually because we're feeling good about the business, actually proactively take a little bit more risk and we'll bring down advertising more, get ourselves to the right profitable mix, invest in the product and then move forward from there.

Operator

Cory Carpenter, JPMorgan.

Cory Carpenter - JPMorgan - Analyst

Hello, good afternoon. I have two, just maybe, Gillian or Adam, if you could just expand on, you've mentioned I think twice now the green shoots you're seeing on the product side. So if you could just expand a bit on what you're seeing there. And then, Gillian, just as we think about your '24 outlook, it feels like it certainly has a big impact from the other segment, which you're kind of managing down on purpose. But maybe if you could just help set our expectations for what you're expecting across enterprise, self-serve and other, that'd be helpful. Thank you.

Gillian Munson - Vimeo Inc - Independent Director

Why don't I take those numbers questions and I'm going to pass it to Adam a little bit more on the product. So let me start first with the guidance. So when you look at the business, there's both the bookings and then what follows is revenue. So in terms of how we're thinking about the business in the booking side of the business, as we get Vimeo Enterprise bigger, its rate of growth will probably slow. And then in the other segment, we continue to think that's going to decline as we manage that business down to basically being OTT.

Now, OTT is a real opportunity for us, but for right now, we view it as more optionality. We have a great team running OTT.

So then you get to the self-serve business, which is the biggest piece of the business. There, what we're doing is, and you see in the guidance, is that cut to the ad spend adds to the environment we are in that will probably cause that to go down as we look at 2024. But it's going to get us to a healthier place. And so then that gets me to the revenue.

Revenue trails the bookings. So you'll see that come through. The biggest delta in the revenue, as I look at 2024, is actually the other segment where we continue to bring that down. Those bookings are followed by that revenue. And then the two trends I talked about in terms of Vimeo Enterprise and self-serve follow.

The reason we think this is the right way to look at the business is those green shoots. So a couple of things. When we look at the rate of new bookings, particularly in a self-serve business, relative to the rate of cuts we're making in the ad dollars, there is a positive relation there. In other words, the new bookings are falling less than the ad dollars are falling. And that is a trend we started to see in the second half of last year. We are seeing it in 24. That makes us feel confident that the product is starting to do exactly what we want it to do, which is sell itself.

Other metrics that we are looking to is conversion of that traffic to new sales has been coming up. AOVs and ARPUs are looking better. And really exciting in the quarter for us is those retention trends that we mentioned in the letter.

Let me particularly focus in on self-serve, where we saw increased retention across the board and in all cohorts. That's a big piece for us in terms of thinking about how the product is performing for us and how we kind of put it all together.

So hopefully that gives you some of the green shoots, kind of how we're getting to the math on it. And then, Adam, I don't know if you want to add anything on sort of how you're thinking about products and how they're performing.

Adam Gross - Vimeo Inc - Interim CEO

Yeah, sure. From the product side, one of the things that I think we're seeing across the industry is obviously there's a tremendous amount of innovation and excitement in video in general. And we're seeing our customers asking us to help them make the video more strategic for them.

You're seeing in how we're kind of modifying and evolving our products, especially in the enterprise side, to be more solution oriented, to fundamentally be more strategic to our customers and hopefully create more value and allow us to capture more value as part of that.

Last quarter, we launched Vimeo Marketing, which is kind of the first pillar of our new enterprise product strategy. You'll see we've got a lot more stuff like that in the pipeline in the coming quarters. And the early results are promising.

In Q4, we have some great customer wins: Hermes, Southwest, Toyota, Domino's, Gartner. We're really seeing a lot of adoption across a broad swath of industries, which is a great early indication that our product value proposition is being well received.

Operator

Brian Fitzgerald, Wells Fargo.

Brian Fitzgerald - Wells Fargo Securities, LLC - Analyst

Thanks, guys. On the sales execution and the macro issues you talked about last quarter, I think it was lead handling and also maybe some macro softness with respect to S&Bs. Could you give us an update on what you saw in the current quarter? How did you address those lead handling issues? Are you starting to see improvement and any signs in the environment for S&Bs?

Gillian Munson - Vimeo Inc - Independent Director

Sure. Let me just take some of the macro stuff. Obviously, we're not economists. The environment is what it is.

No meaningful change in the environment that we're operating in that was noticeable in the quarter. In terms of the sales team, we made nice progress during the quarter. We still have work to do there. But we feel like the issues that we highlighted last quarter, we're working our way through and working beyond.

Adam, I don't know if you want to add anything there.

Adam Gross - Vimeo Inc - Interim CEO

Yeah, I just say that we're continuing to be proactive and aggressive in optimizing both the systems and structure of our sales organization. We made some changes that we rolled out at the beginning of this quarter, reorganizing how we look at territories, looking at our systems about how we're around lead handling and other issues and continue to be very focused. And we're optimistic about the opportunities for optimization there.

Brian Fitzgerald - Wells Fargo Securities, LLC - Analyst

Got it. Thanks, guys. And I wonder if I could get one quick follow up on it. You talked about AI investments. I think we're starting to see some of that in the product in terms of multilanguage closed captioning. Any other key areas of opportunity you see there in terms of using AI to address key customer pain points?

Adam Gross - Vimeo Inc - Interim CEO

Yeah, obviously, AI is a tremendously exciting area in video for our customers, and I would encourage all of you to stay tuned. We've got a lot of exciting products in the pipeline.

Operator

William Kirk, TD Cowen.

William Kirk - TD Cowen - Analyst

Great, thanks for the questions. So first off, you guys have been able to generate some solid free cash flow over the last few quarters. Just wondering how we should think about your ability to convert EBITDA to free cash flow in '24 and beyond. And then I have one additional question.

Gillian Munson - Vimeo Inc - Independent Director

Yeah, I mean, the free cash flow and EBITDA story here really shows you what a great business model Vimeo has. And even while we make the transitions that we've been talking about to get the business to where we want to get it to in terms of setup, we're able to have really strong EBITDA results. As you saw, our guide was for essentially flat EBITDA. That's even taking in another \$5 million of cash cost to replace some equity with cash, given where the stock is.

We -- our cash flow was in excess of the EBITDA in 2023. I think it'll be again in 2024. That's the beauty of a subscription business. You oftentimes get the cash up front and we think that trend will continue for the business.

William Kirk - TD Cowen - Analyst

Great, thanks. And then in terms of the investments you talked about, there being some areas that may take some time to to develop and looking out even into 2025. Can you just talk about the balance of your R&D investments in terms of enterprise versus self-serve? And then are there areas that you feel you need to invest other than on the R&D side, like in the sales force, or do you feel like you're pretty squared away in those other areas?

Gillian Munson - Vimeo Inc - Independent Director

Let me just take the areas generally and then I'll have Adam give you a little bit more color on kind of where we're focused. Just one reminder on the R&D front, much of Vimeo's product line spans the customer basis. So a lot of the investments we make actually benefit most all of our customers across the board. But when we look at the blend of investment, we're really trying to make sure we're freeing up investment dollars to put in the R&D area to really come up with the best products. We are feeling emboldened by what we're seeing. And we're seeing out there in the business that that's the right strategy and you're seeing us move that way.

A few weeks ago, we made a small reduction in force in our G&A areas and just to right size us for where we want to be. So in general, what we are looking for is about flat head count and there'll be a mixed shift towards the R&D group as we work our way through the year.

Adam Gross - Vimeo Inc - Interim CEO

Yeah, and to speak to the second part of your question, one of the things that we're becoming more aggressive about is how we talk about our products, how we talk about the innovation that we're creating and how we make sure that our customers are aware and adopting of all the great things that we're releasing.

In just a couple of weeks ago, at the end of the quarter, last quarter, we released our Vimeo Winter 2024 release. I encourage you to go to the website. You can take a look at all the areas that we're focusing on and innovating. And I think it'll give you a pretty good flavor of how the innovation kind of spans what we're seeing both on self-serve and where customers and individuals can get started very quickly all the way up through with a brand new editor, with things like multi-track audio, all the way up through advanced features for enterprises like a new integration analytics API, which is super useful for understanding employee engagement.

So I just say stay tuned. You can we're going to be more clear about how we're communicating our product capabilities and hopefully easier for all of you to keep track.

William Kirk - TD Cowen - Analyst

Okay, really appreciate the call. Thanks.

Operator

Yusuf Squally, Truist.

David Lussberg, Jefferies.

David Lustberg - Jefferies - Analyst

Hey, thanks so much. I wanted to ask, I noticed in the shareholder letter, Adam, you still had interim next to your name. I was just curious if you guys could give us an update on where you guys are in the CEO search, who you guys are looking for is the right fit and what kind of timeline there might be around that. I know obviously you guys are looking for the right fit and not necessarily a time perspective, but any update there would be helpful.

Gillian Munson - Vimeo Inc - Independent Director

So the CEO search continues, and in the meantime, Adam is full time running the business with us. We're having a lot of fun doing it. We're headed the right direction. And I think the strategy that Adam has laid out and we've been laying out for the street is exactly the direction we are going and the right fit for us will fit with that strategy.

So no, no update on timing. Of course, these things are hard to tell on timing, but we are not holding back of Vimeo. Adam is here with us and we are working really hard on the business.

Adam Gross - Vimeo Inc - Interim CEO

Yeah. Hopefully, as you're seeing in the letter and the other results in the business and across the product releases, we as an organization are fully heads down, engaged, and really enjoying taking advantage of all the strategic opportunities that our market allows.

David Lustberg - Jefferies - Analyst

Got it. And then maybe just a second question, if I may. I think a really good execution from you guys on the enterprise side, maybe getting a little bit lost in the sauce, if you will, with everything going on and other and self-serve. You talked about some of the growth coming down just as law of large numbers. But how durable do you see the growth in enterprise? And it sounds like you guys have an exciting product portfolio ahead of you. Like, how do you think about the balance in enterprise between growing customer town and Oracle would be helpful?

Gillian Munson - Vimeo Inc - Independent Director

So just real quick on overall growth. I think the point we tried to make in the shareholder letter, and I think you're what you reflected in your question is that there's a little bit -- it's a hard -- So there's a lot of puts and takes in the Vimeo top line that in a way is money and really great progress, right?

The company X other has grown for the last two years, and we continue to see a lot of great growth prospects. We are actually taking some risk in terms of putting a little bit more pressure on the self-serve business to get to where we want to be in terms of the mix of product versus marketing-led growth. But we continue to see really strong growth prospects for Vimeo as a whole and in particular in Vimeo Enterprise, where we see double-digit growth as absolutely the future of that business with a lot of opportunity.

Adam, do you want to add to that, though?

Adam Gross - Vimeo Inc - Interim CEO

No, I think you're going to see innovation and product releases across both businesses. I think the benefit of video becoming more strategic to organizations of all sizes should help provide tailwinds across our channels.

Gillian Munson - Vimeo Inc - Independent Director

Yeah. And I just realized you added you added a question about ARPU and subs and I want to make sure I came back to that. Our ARPU and our AOVs have been in about the \$20,000 range. We think there's still a lot more opportunity for us with customers to sell. It takes time to work that through the system. And of course, the Vimeo Enterprise business is a blend of SMBs and mid-market and corporate corp strat. And so it's just about the timing on that. To us, that's time, not -- it's we just have to work our way there.

David Lustberg - Jefferies - Analyst

Got it. Thank you, guys. Appreciate it.

Gillian Munson - Vimeo Inc - Independent Director

No problem.

Operator

With that, there are no further questions. I'll hand the call back to Gillian.

Gillian Munson - Vimeo Inc - Independent Director

Thanks for joining our 2023 Q4 Live Q&A. We look forward to updating you again next quarter. Have a great evening.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All Rights Reserved.