vimeo

Q1'23

Interactive Earnings Video - May 3, 2023

Live Earnings Q&A - May 4, 2023

Combined Transcript

Ken Goff, Investor Relations

Thank you for watching Vimeo’s Q1 2023 interactive earnings video.

Before we begin, a few comments: First, Vimeo’s Q1 earnings video will be available on the Vimeo Investor Relations site.

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 similar such statements. These forward-looking views are subject to risks and uncertainties, which are further described in our filings with the Securities and Exchange Commission (the "SEC"), and which could cause our actual results to differ materially from the views expressed in this video.

We have 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 reconciliations with comparable GAAP measures, can be found in our earnings release and in Vimeo’s filings with the SEC, as well as in supplemental information posted on the Investor Relations section of our website.

Thank you, and please enjoy hearing from our CEO, Anjali and our CFO, Gillian.

Anjali Sud, CEO

Welcome to Vimeo’s first quarter update.

We like to demonstrate the power of our product, so today we’re going to show you one of the newer ways our customers are embracing video, which is for internal training. Today only 12% of employees report that their company effectively trains them. More and more, we’re seeing companies turn to interactive video as a better format for learning and absorbing information. In fact, survey data shows that interactive video is more memorable and delivers 5 times more engagement than other formats. So to put this to the test: at the end of this segment we’ll invite you to take a 3 question quiz to see if we got our message across.

We entered 2023 with a commitment to do 3 things: 1) simplify Vimeo, 2) return to growth, and 3) get more efficient. I'm pleased to say that a quarter in, we are executing this strategy well and are on track to meet these goals.

Simplification is a theme across everything we are doing this year, and we see meaningful opportunity to further simplify Vimeo's product and experience to make video more accessible.

For example, we built powerful new tools in the last few years to help businesses create video content. This includes the ability to record a video message from your browser, the ability to live stream from your browser, and the ability to create a video ad from scratch using existing footage, music and text.

We know these tools are valuable to our users - so much so that around 30% of users who upload video now create that content on Vimeo. In 2019, that % was nearly zero. We also know that users who create content on Vimeo are more valuable to us: in fact, users who upload a video and then create content on Vimeo generate 4.5x higher bookings on average.

However today these creation tools are still hard to discover on Vimeo, both due to the extensive breadth of our offering and due to our historical focus on hosting and sharing. We believe we can greatly amplify users' access to video creation by making these tools more prominent and easier to discover on our most visited pages and in our sign-up experience, which impacts 25 million potential new users signing up to Vimeo a year. We also believe we can remove friction in the number of steps a user has to take to actually get started creating a video. Finally, we plan to introduce innovative capabilities like text-based editing to dramatically reduce the time and effort for someone to get to a finished video that they're excited about. We expect the impact of this product work to materialize over the next few quarters, resulting in a more simplified platform for users to discover the power of Vimeo.

These are just a few of the initiatives to Simplify Vimeo, that we believe are table stakes for a great video software company. With these, we're focused on returning the business to growth. We expect a return to growth to come from both a rebound in Self-Serve and continued momentum in Vimeo Enterprise. The first quarter provided good evidence that we're on track here.

Starting with Self-Serve & Add-Ons: while bookings were down 6% year-over-year in the first quarter, they were flat sequentially. Importantly, we have seen traffic stabilize on a sequential basis. As you may recall, over the past year traffic was down significantly when compared to the unprecedented peaks we saw during the pandemic, so it's encouraging to now see it holding more steady. We've also seen new bookings as a percent of total returning to 2019 levels after spiking during the pandemic. These are good leading indicators that we are getting to a more normalized environment which should allow our Self-Serve business to grow again.

This view is bolstered by the fact that if you normalize for the outsized COVID cohorts from 2020 and 2021, Self-Serve would be a growing business today. Specifically: bookings in the first quarter have grown at a double-digit compound annual growth rate since Q1 of 2020, and the underlying metrics of monthly active users, uploads, paying subscribers, and ARPU also grew double-digits during that same period.

Ultimately, video continues to have long-term tailwinds as it becomes more ubiquitous and accessible. And we believe Vimeo is the best platform to capitalize on this trend. We see clear levers to drive growth in Self-Serve, from the UX and product simplification I spoke about earlier, to improved pricing and marketing. We continue to optimize our subscription tiering and packaging to increase both conversion and price, which we believe will drive upside. We also saw positive results in both the efficiency and impact of our marketing spend, where we are getting better at targeting business customers and shifting our traffic to more qualified users.

It's important to remember that Self-Serve is a critical driver of Vimeo's overall growth, both due to its size and as the primary feeder for Vimeo Enterprise, as Self-Serve customers graduate to more advanced product offerings. So we remain focused on a return to growth here as our top priority.

Turning to Vimeo Enterprise, bookings growth accelerated for the third consecutive quarter to 62% year-over-year. We continue to see sales cycles in the 30 day range, consistent with a year ago and slightly shorter than last quarter, as our value proposition resonates with customers looking for more efficiency in their software stack. Equally importantly, we continue to see strong retention among existing customers and the ability to expand their usage over time. Our NRR in the quarter was again 100%, with retention up from a year ago on both a logo and dollar basis. And usage metrics continue to be very strong, with the number of monthly active team members up 93% and team seats up 113% year-over-year.

Across industries, some of the most important brands in the world continue to recognize the importance of video and the value of Vimeo. We welcomed leading companies as new Vimeo Enterprise customers in the quarter, including Canon, UCLA, the BBC, Warner Brothers, Johnson & Johnson, Karl Lagerfeld, and the National Gallery. UCLA, for example, is using Vimeo to produce webinars and marketing events, while the National Gallery is using us for live events such as museum tours and seminars with guest speakers. We also signed Wizards of the Coast, the company behind Dungeons & Dragons. They just released a new film that's been a box office hit, and used interactive video to promote it through a choose-your-own-adventure experience.

As we look ahead for Vimeo Enterprise, we have some exciting product launches on the roadmap that will enable us to better serve the largest companies in the world as they look to use video more. You'll also see us strategically partner to integrate our offering with other best-in-class software vendors.

Lastly: we continue to make progress in getting more efficient, with our third consecutive quarter of positive adjusted EBITDA and Free Cash Flow. Our gross margin and bottom line both benefited from lower hosting fees and higher collection rates in the quarter, and we continue to reduce our operating expenses as a percent of revenue despite top line headwinds. Our goal is to drive continued efficiency while investing in a select number of high value growth opportunities that we expect will drive incremental profit dollars in the future.

I'm pleased with the progress we made in the first quarter to simplify Vimeo, return the business to growth, and get more efficient. In Self-Serve, we see encouraging signs of a return to growth as we get to more normalized post COVID trends. Vimeo Enterprise momentum remains strong and accelerating. And we continue to drive cost efficiency and profitability while making disciplined investments that we believe will allow us to achieve double-digit revenue growth and double-digit Adjusted EBITDA margins in the future. It's worth reiterating that we're executing this plan with a strong balance sheet and plenty of inherent profitability in our current business, and are choosing to invest with the flexibility to adjust based on what materializes in the short term.

Our results and the momentum behind our initiatives give us confidence that we're very much on track in 2023. We will continue to focus on the fundamentals that will be the biggest drivers of shareholder value over time: an innovative and easy-to-use product that makes our customers successful, and a business that gets more efficient and profitable as we scale.

Thank you again for joining our Q1 video update. Before we get to a deeper dive into the numbers with Gillian, you can click here to take our 3-question quiz on the most important stats to know about Vimeo this quarter.

Gillian Munson, CFO

Thanks Anjali, and thank you everyone for joining us.

I'll start by saying that the first quarter results give me confidence that we're on track for 2023. We are Adjusted EBITDA positive even as we manage a period of revenue declines and our cash balance remains enviable for a company of our size and market capitalization.

So let's dive in:

All the financial metrics I talk through, except for revenue, will be discussed in non-GAAP terms, and all comparisons will be on a year-over-year basis, unless noted otherwise.

Revenue was 104 million dollars, down 4%, while first quarter bookings were 98 million dollars, down 5%. Our GAAP net loss was 1 million dollars, and we delivered adjusted EBITDA of 3 million dollars. In the quarter, we generated 5 million dollars of Free Cash Flow and ended with a cash balance of 268 million dollars.

Self-Serve & Add-Ons bookings were down 6% and were up 2% sequentially. Top of the funnel traffic, while still down, was down less than it was in 2022 and appeared to follow the more typical seasonality curves we saw pre-pandemic. Conversion, AOV, and retention were all reasonably stable sequentially, as were both new and retention bookings. And I'd note that Self-Serve continues to be the largest source of lead generation for our Enterprise product.

Self-Serve & Add-Ons revenue was down 6%, driven by a 4% decline in average subs and a 2% decline in ARPU.

It is important to remind everyone that 2023 continues to be a year of digestion of the oversized 2020 and 2021 covid cohorts of new Self-Serve & Add-Ons subscribers which were almost 3x the size of our typical run rate from pre-pandemic.

There are two business impacts to consider in this regard. First, total new bookings need to return to a more organic rate, something, as Anjali mentioned in her remarks, we believe is starting to happen in 2023. Second, we need to digest the second renewal for the 2021 cohort and move beyond the pressure on our business from the pandemic. Historically, around three-quarters of cohort churn occurs in the first 2 years. We believe both these dynamics are creating headwinds that should alleviate as we move towards 2024.

As we look ahead, we believe we will have another quarter or so of bookings decline in Self-Serve & Add-Ons before we achieve bookings growth in the later part of the year.

Vimeo's brand remains enviable, adoption and usage of video continues to drive a strong opportunity for us, and we are executing against initiatives to better focus our marketing, continue our pricing optimization, and simplify our product experience. All of these give us confidence that growth in Self-Serve & Add-Ons is a matter of when not if.

Vimeo Enterprise continued to be a strong performer with bookings up 62% in Q1. NRR was 100% as we continue to see strong retention and expansion. We generated record new pipeline in the quarter and saw win rates up compared to a year ago and stable sequentially.

Vimeo Enterprise revenue grew 27% in the quarter, with subscribers growing 39%, partially offset by an 8% decline in ARPU. ARPU was impacted by mix as we continued to see strength in signing mid market customers. That said, we see ARPU as an opportunity in Vimeo Enterprise as our corporate pipeline remains strong and we're confident in our ability to close larger deals and to ultimately expand our relationships with large and mid-market customers after landing them.

Other bookings, which includes OTT and our legacy acquired products including Magisto, Livestream, Wirewax, and Wibbitz were down 31% in the quarter as we focused our strategic investment elsewhere to drive profit in a disciplined fashion.

Other revenue was down 12% in the quarter. OTT revenue was up 11%, though that was more than offset by declines in other products.

Turning to our expense structure, our gross margin increased to 78%, up 3 percentage points. This was helped by improved hosting costs as part of our efficiency initiatives which drove cost savings in the quarter. I'd note that our gross margin is up 10 percentage points from where it was in Q1'20.

Overall operating expenses were roughly 77 million, down 16% driven primarily by continued cost management, the actualization of cost savings from our 2022 and early 2023 reductions in force, and a large reduction in bad debt post our billing system implementation improvements during 2022.

R&D was 23% of revenue, down 21% or 4 points. Sales and Marketing was also lower, falling 14% or 4 points as a percent of revenue as we focused our spend on the highest ROI opportunities. G&A fell 15%, and as a percent of revenue was down 2 points.

While we are continually looking at optimization, we have reached a run rate on quarterly expenses in the 77-79 million dollar range which we think is appropriate relative to our current plan.

Adjusted EBITDA was 3.2 million dollars in the quarter, an improvement of more than 13 million dollars from the year ago quarter. About 1 million dollars of that EBITDA was likely unique upside to Q1.

Stock based compensation in the quarter was a benefit in the quarter largely due to a 15 million dollar modification.

I would like to take a minute to remind everyone of our stock compensation philosophy, which you can learn more about in our recently filed proxy statement.

We think the current organic run rate near 20 million dollars a quarter is a peak level, and that stock based compensation should begin to fall meaningfully as we bring down our granting of stock based compensation.

We generated 5 million dollars of free cash flow vs a 27 million dollar outflow a year ago and ended the quarter with 268 million dollars in cash.

With that, I'd like to turn to our outlook for the coming quarter and the year. As I've said, our performance in the first quarter indicates to me that we're on track.

We're maintaining the full year revenue guidance of down mid single digits that we previously provided. As for 2023 Adjusted EBITDA, we are maintaining our guidance range of 5 and 10 million dollars though with more confidence after the healthy Q1 result.

As for Q2, we expect revenue to be approximately 100 million dollars, and adjusted EBITDA to be at or slightly above breakeven.

Looking at the full year we have three financial goals: 1) turn Self-Serve bookings back to growth by the end of the year, 2) maintain Vimeo Enterprise's strong growth trajectory and 3) manage down OTT & other as we focus our investment dollars to drive profit with discipline. We continue to believe these are the right goals for us and that they continue to be achievable.

We remain committed to delivering EBITDA profit and positive free cash flow in 2023, and believe we can do so in a range of possible revenue outcomes.

As the year progresses we will assess the effectiveness of our investments, and we have the ability to scale back considerably to drive profit if we determine that to be the best course of action.

We're confident we can achieve our growth goals because we continue to see the Vimeo business model as very strong.

- We have a meaningful customer base with healthy conversion and retention characteristics;
- Usage of our products continues to expand beyond just hosting, with around 30% of users who upload a video now utilizing our creation tools, an indication of the growing tailwinds for video and the strength of our product relative to alternatives;
- Our gross margin structure gives us over 300 million dollars of gross profit dollars annually, and
- We have demonstrated the discipline to manage cost and deliver positive EBITDA even while we invest in what we see as an exciting opportunity ahead for both Vimeo Enterprise and Self-Serve

I'd like to thank you again for joining our first quarter 2023 earnings call. We look forward to updating you on our progress again next quarter.

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

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CORPORATE PARTICIPANTS

Anjali Sud Vimeo, Inc. - CEO & Director

Gillian Munson Vimeo, Inc. - CFO

CONFERENCE CALL PARTICIPANTS

Brian Nicholas Fitzgerald Wells Fargo Securities, LLC, Research Division - Senior Analyst

Daniel Brian Pfeiffer JPMorgan Chase & Co, Research Division - Research Analyst

David Marshall Lustberg Jefferies LLC, Research Division - Equity Associate

Thomas Steven Champion Piper Sandler & Co., Research Division - Director & Senior Research Analyst

William John Kerr TD Cowen, Research Division - Research Associate

PRESENTATION

Operator

Good morning, and thank you for joining Vimeo's Q1 earnings live Q&A. We're excited to be here in front of you. 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 reconciliations with comparable GAAP measures can be found in our earnings release 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, Anjali.

Anjali Sud - Vimeo, Inc. - CEO & Director

Hi, folks, and welcome to our live Q&A. Last night, we published an interactive video on our Q1 results and outlook. You check it out, there's a lot of good info in there and even a fun quiz at the end to make sure we got the most important information across.

I'm happy to say that we exited the first quarter largely on track to deliver our goals for 2023. Our first priority is to return the business to growth, and we believe that we're on track to demonstrate bookings growth by the end of the year, both for the total business and for self-serve. On self-serve, we are cautiously optimistic. We believe we're executing the right levers across our funnel, and we're seeing a stabilization of macro trends post COVID that should help us further.

On Vimeo Enterprise, we're excited by what we see. Bookings growth accelerated for the third consecutive quarter, and we believe we're growing faster than the rest of the market as our product increasingly wins with enterprise customers. We think Vimeo Enterprise can become a very large business over time, and we have a clear path to get there.

Our second priority is to get more efficient and more profitable. Here, we had a solid quarter, our third consecutive one of positive adjusted EBITDA and positive free cash flow. We have $268 million of cash on the balance sheet and the flexibility to adjust our investments based on what we see. Right now, we think patients is warranted and we're patient. So the punchline for the quarter is really so far so good.

With that, let's get into your questions.

QUESTIONS AND ANSWERS

Operator

Our first question will come from Brian Fitzgerald at Wells Fargo.

Brian Nicholas Fitzgerald - Wells Fargo Securities, LLC, Research Division - Senior Analyst

I wanted to -- in the letter, you talked about welcoming leading companies to the enterprise side of the business, [Canen], UCLA, BBC, Warner Brothers. Is there anything to call out with how enterprise logos start and then ramp using it? Is that changing maybe with the macro backdrop? And then you also highlighted continued strength in small mid-tiers. Does the mid-market progress differently than some of those larger enterprises UCLA, Canen , et cetera?

Anjali Sud - Vimeo, Inc. - CEO & Director

Sure. Brian, happy to answer that. So I would say there's generally 2 use cases that enterprise customers are looking to use Vimeo for. One is marketing. Marketing teams looking to use video more to reach and engage with their customers. And the other is internal or employee communications. So this is everything from training and onboarding employees to just live streaming town halls. And just generally, you have a more digitally native workforce and helping them engage with video more.

And across sort of the different customer types, we really don't see a difference in those 2 use cases nor do we see a difference in the types of products and features that those customers are looking for. So it is video library, it's events, it's hosting and sharing and creation. And so no major differences there. Certainly, the way we sell, who we sell to, the sales cycles, the decision-makers involved, whether it's a large Fortune 50 company versus a smaller one, that makes a big difference. And generally, our pricing strategy is based on seats. So if you're a larger company and you're enabling many more users of our platform, you would, over time, pay us more. But that's really the biggest difference.

And then lastly, you asked about macro and kind of what we're seeing there. And we're feeling really good on the new enterprise right now. I think we shared it in the video. We're not seeing major differences in sales cycles. Our pipeline is up really nicely year-on-year, win rates up year-on-year. And if you just look at the growth rate of Vimeo enterprise relative to the rest of the market, we think we're just winning more and more. So really, so far so good. And it's worth noting that Vimeo Enterprise, I think, has grown 6x in the last 2 years. So we really do think it's going to be a large business and that we have kind of the ingredients to get there.

Operator

Our next question will come from Tom Champion of Piper Sandler.

Thomas Steven Champion - Piper Sandler & Co., Research Division - Director & Senior Research Analyst

Anjali, maybe you could just talk a little bit about the product pipeline. I think the letter refers to some announcements to expect later in the year and there was some reference to newer partnerships as well. Maybe you could elaborate on that. And then for Gillian, curious if you could just, at a high level, help us reconcile the full year guidance, how to think about the operating income guidance for the year and how we reconcile that with adjusted EBITDA. And maybe talk a little bit about G&A in 1Q and the impact as we see. Any color on that would be really helpful.

Anjali Sud - Vimeo, Inc. - CEO & Director

Sure, Tom. So I'll start with the products and partnership side. If you think about our theme for product this year, it's really innovation through simplicity. And why we believe that makes sense for Vimeo because we've actually built quite a lot of capabilities into our video platform in the last few years. And so this year, we're really thinking about how do we actually just unify the experience, remove friction and just make it easier for any user, whether they're coming to the site for free or they're coming to talk to a salesperson. How do we make it way easier for them to discover and start using the product and understand and adopt all the different things they can do on Vimeo.

So most of our road map is really just about simplification of the existing experience. That being said, we're not planning to launch whole new use cases or go after whole new capabilities this year, but we do think we planted a lot of seeds that we can make even more innovative and easier for our users. The biggest challenge today for video continues to be how do you create content that is high-quality, branded and how do you do it faster, cheaper and better. And you will see us launch some capabilities in the next few quarters that we think are going to make video even easier and more simple for users. And these will include things like how do you take a piece of content that's recorded over a 3-hour meeting, for example. How do you make that much shorter teaser that takes the information, knowledge and it makes it easier to digest. You'll see us do things like how do we enable you to edit a video the same way you would a Google doc.

So those are some of the things that you can expect. On the partnership side, our strategy and approach really hasn't changed. We continue to see partners as a way to introduce more people in the Internet to the power of Vimeo and the power of video. And I think as a reminder, the 2 biggest areas we've partnered in to date in social media platforms, Meta, TikTok, et cetera, where you have businesses that are looking to advertise using video on those platforms. And then you have enterprise communications platform, so Zoom or Webex for example, where when you run a meeting, it could be automatically archived and then edited on Vimeo. I think you'll continue to see us look to integrate our product in those 2 areas. And so far, we do feel like that helps introduce more people to our capabilities.

Gillian Munson - Vimeo, Inc. - CFO

And then on the guidance, a couple of things. It's early in the year, and we're just getting going. But we're feeling good about where we are. We feel like we're on track. So when I look at Q1 and the kind of results we had, I really feel like in reaffirming our revenue and EBITDA guidance, we are on track and moving in the direction we want to move.

In Q2, we've guided to $100 million of revenue and your breakeven EBITDA. And so as you work through your quarters, just make sure you keep that seasonality in mind. And on the EBITDA itself, I'd actually say we're more confident in the EBITDA range that we gave at the beginning of the year given what we can see today in the business and the really strong discipline we are holding the company to in terms of costs and ROI.

So feeling good. It's a great early start, and we're really putting one foot in front of the other. We're on track. And I think 2023 so far looks like it's going to play out just as we had thought going into the year.

Now in terms of operating income to non-GAAP EBITDA in our press release, if you flip to about Page 10, you'll see a really handy table that we always put in that helps you bridge between the 2. And the largest delta between operating income and adjusted EBITDA for us is typically stock-based compensation. And we've talked about this in the past for Vimeo. Kind of going into the end of the year and recent quarters, you've seen us have stock-based comp in and around $20 million a quarter, and we believe that number to be too high. And we believe that the burn rate that we have from the shares we've given out has got too high in 2022, and we are actively taking action to bring that number down in 2023.

So as we look at stock-based comp, we think you'll start to see that number come down over time. The Page 10 lays out about a $16 million give or take stock-based comp costs in Q2 and then 45% for the year. I would say you sort of trail that down over time. Remember that stock-based comp for the compensation you give out oftentimes follows the vesting cycle. So it takes a little while to roll that through the waterfall.

There's one other impact on G&A I wanted to highlight. We talked about this a little bit in my prepared remarks. As you may recall, last year, we had a billing rollout that was a little bit difficult for us. It caused us to have more bad debt than we would typically hope to have. That was an impact to G&A. In Q1, we had a reversal of that. And so that was a nice benefit in the quarter. What I've talked about in terms of the EBITDA for Q1, about

$1 million, give or take, is probably not repeatable because of we have some very strong performance and kind of getting that back to a more normalized basis. Hope that helps.

Operator

Our next question will come from William Kerr at TD Cowen.

William John Kerr - TD Cowen, Research Division - Research Associate

So the enterprise business grew nicely, but self-serve continues to be a bit of a headwind. Can you just tell us how you're thinking about the potential return to growth in self-serve bookings and what the drivers of that look like? And then you still have a very strong cash balance on the balance sheet. And I was just wondering how you're thinking about capital allocation, both near and long term, especially as you get to free cash flow positive. So yes, that would be super helpful.

Gillian Munson - Vimeo, Inc. - CFO

So I'm going to reverse some because I want to talk about some of the numbers in self-serve and Anjali give you some more color. So on the capital allocation, we're always looking at it. We think it's a really important piece of running the business. For us, that means looking at M&A opportunities. We think we are an attractive buyer, but we're pretty disciplined about the kind of returns we want. So, so far, not much has met our standard in terms of what we might want to do there. But we always look and we think, ultimately, we are a very attractive acquirer for assets in the space.

The second is buybacks. We are always looking at that. We actually, as you know, changed our policy with regards to vesting of our employee stock and are buying back the stock there. And then finally, we are investing in the business. So what we've talked about in the past is we certainly believe that Vimeo has double-digit EBITDA capability, but we are investing some of the -- some of that upside versus where we are today to continue to grow the enterprise and self-serve and really get the business back to the growth position we think it deserves. So that's on the capital allocation.

We have a great balance sheet. We think it is a pillar of strength for our company in a very uncertain economy, and we're awfully patient with that money and want to be careful to spend it prudently. So that's capital allocation.

In regards to self-serve, there's a couple of things going on, and I'd like to sort of give people this context. So on self-serve, one of the biggest impacts on our self-serve business is a macro impact, which is our relative success during COVID. So we had 2 years of cohorts that were almost triple what we would traditionally see in terms of new bookings at the company. That's 2020 and 2021. About 75% of the loss in retention you received in any kind of subscription business like ours is in those first 2 years after you get those cohorts. And we are working through a second year of the 2021 cohort this year. We'll get that behind us as we get to the end of the year and into 2024. That's going to make that just the raw math of the business a lot easier for us.

In addition, we are working on a lot of execution. As you know, we have a new CMO. We have a new Chief Product Officer, and we are doing a lot of work on where we're focusing our money in terms of getting a good return, getting the kind of traffic that's going to convert well. Our product team is working really hard on simplification, as Anjali has talked about before. And all of these are aimed at really executing against getting self-serve back to growth.

Now we are seeing some signals that our plans are working. So sequentially, we saw nice indications that things like traffic are starting to stabilize for us. Retention has been solid for the last couple of quarters, same thing with conversion. And so while it is early, and we believe that, that business will get back to bookings growth by the second half of the year -- by the end of the year, rather, and the revenue will follow it. It is a one foot in front of the other. We think it's working, and we continue to believe that, that business will show growth by the end of the year. So that's where we are with self-serve. And then Anjali, I don't know if you want to add something to that.

Anjali Sud - Vimeo, Inc. - CEO & Director

Yes, I would just add, in addition to sort of the underlying financial metrics. We continue to see good evidence that businesses are using video more and that Vimeo has a great product to serve them. And in particular, if you just look at usage metrics, I shared Vimeo Enterprise, our active team members on Vimeo Enterprise accounts grew nearly 100% year-on-year. So that's usage of video among team members at companies. And then if you just look at self-serve, Gillian mentioned the kind of COVID impact. If you just normalize for COVID and look at our compound annual growth rates for a bunch of different metrics, from 2019 to now, what you would see is nice double-digit growth. And so specifically, if you look at usage of the platform on self-serve, monthly active users and uploads, those grew double digits. If you kind of normalize for COVID, they were net growers. Then if you look at our ability to monetize that usage in the form of paying subscribers and average revenue per user, those also grew double digits on a normalized basis.

So I think when we take a step back, we have lots of levers that we believe we can control and execute to get self-serve back to growth. We also have the sort of cohorts from COVID that are moving through. And just more broadly, businesses are using video. There will always be a percentage of them that will want to experience the product for free and buy on a self-serve basis. And we think that if you normalize for COVID, self-serve would have been a net grower, and there's no reason it shouldn't be in the future.

Operator

Our next question will come from Daniel Pfeiffer at JPMorgan.

Daniel Brian Pfeiffer - JPMorgan Chase & Co, Research Division - Research Analyst

I'm on the call for Cory Carpenter. I just have 2 quick ones. Can you talk about some of the key industries you're focusing on in terms of targeting business customers in the self-serve business? And then on the second, can you maybe talk about how you expect self-serve and enterprise ARPU to trend longer term and maybe some of the levers you have to kind of increase it over time?

Anjali Sud - Vimeo, Inc. - CEO & Director

I can say to the industry point, which is we don't have any specific industries that we are focusing on in self-serve. We do focus on those 2 use cases I talked about. So businesses of any size that want to market using video, they want to create video and put it on their website or social media or they want to run events and then employee communications. So businesses that want to train and enable their employees using video or engage with their employees using video.

And what we see and we have looked at the long tail of our user base, we have nearly 300 million users on the platform registered users. What I will tell you is it is remarkably consistent on those 2 use cases. And it is across every industry. You can imagine every business, every company. And I think that speaks to the addressable market and the tailwinds more broadly in this medium.

Gillian Munson - Vimeo, Inc. - CFO

And then in terms of ARPU, let me just first talk about Vimeo Enterprise. Vimeo Enterprise has been running in and around the $20,000 range on ARPU for quite a while now. It's a combination of the new customers we bring on. And then as we bring up prices for customers over time, I think that will continue because we are quite rapidly bringing on new customers in addition to growing customers we have.

That said, when we look at our price performance versus almost any other set of tools in the market, we look at the way our platform can consolidate multiple vendors that customers have. We certainly believe ARPU is an opportunity for our company and that we're going to continue to have an opportunity to bring people up from that range. So that's in enterprise.

On the self-serve side, we believe we also have an ARPU opportunity, particularly as that market moves more towards businesses in terms of our customer base. And so we -- and we feel like that's a nice opportunity for us as well. We are always in self-serve testing pricing and looking at new ways to make sure that we've got to the optimal mix of price and performance for our customer base, and we continue to do that actively here in 2023.

Anjali Sud - Vimeo, Inc. - CEO & Director

Just one stat I want to highlight on that last point is when we look, for example, at what self-serve users do on the platform, what we see is that if a user is not just uploading a video, but using one of our newer creation tools, for example. They are driving 4.5x higher bookings. So we do have a very clear view that there are higher value customers with a higher willingness to pay. And the key is getting them to do more on the platform and to do a broader, more diverse set of things. This all speaks really nicely to why we've invested so much in multiple use cases, so not just hosting but also video creation and why we're so focused on simplifying and unifying the platform we have today.

Operator

Our next question comes from David Lustberg at Jefferies.

David Marshall Lustberg - Jefferies LLC, Research Division - Equity Associate

This is David on for Brent. I had 2. Maybe to start, I wanted to ask about the ARPU on the enterprise side. And so obviously, it was down year-over-year in the seat-based model, but you guys also talked about monthly active team members nearly doubling. Maybe just talk through that dynamic. Is some of that being some of maybe the dormant seats kind of come online. And I know you guys talked about the shift on the enterprise side with SMB, but color there would be helpful. And I have a follow-up.

Gillian Munson - Vimeo, Inc. - CFO

Yes. So on ARPU for Vimeo Enterprise, as I think we've talked about, we continue to be in and around $20,000. We believe there is upside opportunity on that, both based on the structure of our pricing programs and the kinds of technology we are bringing to there. You have to remember, when you think about ARPU, we are bringing on new customers fairly rapidly and expanding customers we have, and that continues to be the case.

In any given quarter, it can move around a little bit based on the mix of who's in the bookings in the waterfall. So the business is still small on a relative basis. We think it's going to get quite big, but that can cause those numbers to fluctuate a little bit. So that's how we're thinking about the ARPU.

David Marshall Lustberg - Jefferies LLC, Research Division - Equity Associate

I wanted to ask about it, so I'll ask about it. I think a lot of tech investors are thinking about AI and how it can impact any of their stories, both positively and negatively. Maybe just give us an update on how you guys are thinking about leveraging AI if you guys are working on anything and how you envision it working with your products?

Anjali Sud - Vimeo, Inc. - CEO & Director

Sure. So first, it's worth noting, AI isn't new for Vimeo. We have actually been investing in AI and machine learning for several years. And we already leverage AI a bit today to help make it easier for our users to create video content from scratch on Vimeo. Our general view is that AI is a positive for Vimeo in 2 big ways: one, video is still too hard, and AI can help simplify video creation and sharing. And so that, we think, is a benefit. We know the #1 barrier to adoption is generating content. You can imagine a world where suddenly, it gets way easier to generate video content, and we're the hosting and sharing platform for all of that content. So we think that's very exciting.

And then the second is, obviously, like any other company, how can we use AI to be more efficient, to be more productive and you'll see us kind of invest in that as well. But it's worth noting, in general, we're excited about AI. We're continuing our investment there. We don't see it as a sort of major new incremental investment we need to make. It's really more about continuing to take advantage of these trends. And then the last thing I will just say is we also think we're uniquely positioned because of the amount of video data that we have. Probably after YouTube, we're the largest source of video data on the Internet. And we are thinking strategically about how we can leverage that as an asset in an AI-driven future.

Operator

Our next question comes from [Chris Yang] at Truist.

Unidentified Analyst

This is [Chris Yang] on for us Youssef Squali. We're wondering with the markets normalizing and you are able to stabilize the platform financially. How do you think about balancing needs to invest in growth versus generating margin for investors over the next several years?

Gillian Munson - Vimeo, Inc. - CFO

It's a great question. So when we think about the balance of profitability and growth, we really think about how can we create the most value for our investors. And we think the highest value return for Vimeo is a growing profitable company. So what we've talked about is that we certainly believe that Vimeo can be a double-digit EBITDA business. But we also believe it can over time, with execution be a double-digit revenue growth business. And so the combination of those 2 can be very valuable. And so we are executing patiently towards that goal. The first goal is to get our bookings to turn to growth, followed by our revenue, and then we will be able to generate much more scale in the business over the longer haul.

That said, we see a huge opportunity with Vimeo Enterprise. We think every business should have Vimeo Enterprise, and we are just getting started there with the number of customers we have. So when we look at it, we want to always, at this case -- in this environment, be profitable, and that is what we've achieved. We've seen a huge swing in our EBITDA in Q1 alone, and we are guiding to profitability for 2023.

We are investing a little bit above that, a fair amount actually to continue to put ourselves in a position to grow. Our view is that if we don't see signs that we're going to grow like that, then we would pull back on the spend. But right now, we have the nice ability with our business model because of our gross margin, because of the flexibility of our model to deliver solid EBITDA while we execute against what we think is a terrific growth opportunity which should create great returns for investors.

Anjali Sud - Vimeo, Inc. - CEO & Director

It's just worth noting, every investment is a choice. I think having been at Vimeo a long time, we are the most disciplined I have seen about each of those choices, and you will see us continue to be disciplined. We're excited about not just growth but sustainable and increasingly efficient growth, and we're very committed to doing that.

Operator

With that, there are no further questions, and I will hand the call back over to Anjali.

Anjali Sud - Vimeo, Inc. - CEO & Director

I'll wrap by saying that we're exiting Q1 on track for our 2023 goals. We continue to believe that businesses will only adopt video more and that Vimeo has the best video product on the market for businesses, focused on simplification, focused on efficiency, and we're focused on returning the company to growth.

Thank you for your interest in Vimeo, and we look forward to updating you on our progress next quarter. Thanks.