



Q1'24 Earnings Transcript

Earnings Video and Live Q&A

May 6, 2024

Gillian Munson - CFO

Hi, I'm Gillian Munson, Vimeo's CFO here to introduce our Q1 2024 earnings video. This quarter I'll be highlighting a few key takeaways about our first quarter results.

I will refer to certain non-GAAP financial measures in this video, and we encourage you to also read the detailed shareholder letter, which includes our safe harbor disclosures and reconciliations of GAAP to non-GAAP financial measures, on our investor relations website at investors.vimeo.com.

First, Vimeo has a new CEO. I am excited to welcome Philip Moyer to Vimeo. Philip's background, leadership style, and sense of urgency are going to be great for us. Philip is already fully engaged and we are excited about his potential contributions. It goes without saying that we owe a debt of gratitude to our Board Member Adam Gross who stepped in as interim CEO over the last few quarters and helped us move forward even in a period of transition. The team and I will miss Adam's day to day presence but are glad to know he will remain a committed Board Member.

Secondly, we continue to deliver momentum in our enterprise category. Vimeo Enterprise had a strong growth quarter, with 47% bookings growth and 60% revenue growth year-over-year. We signed a range of top tier customers in the quarter, including Delta, Nissan, NATO, and 7-Eleven.

At the same time we made some important changes in Self-Serve & Add-Ons. We meaningfully scaled back unproductive paid marketing spend in the quarter, which we believe will lead to healthier revenue over time. We were encouraged that the decline in total and importantly in new Self Serve & Add On bookings was significantly smaller than our reduction in this spend.

Finally, Q1 demonstrated the underlying strength of Vimeo's business model. Gross margin improved 1 percentage point year-over-year to 78%, and is now up 10 percentage points since Q1 2020, and non-GAAP operating expenses fell 10% year-over-year. This enabled us to deliver adjusted EBITDA of \$12 million, a 12% margin and \$9 million increase year-over-year. Just 2 Q1s ago in 2022, Vimeo lost \$10M in adjusted EBITDA in the quarter. Getting to this level of stability is the result of some significant work on the fundamentals by everyone at Vimeo. We are pleased to see it showing through in the numbers and giving us a solid base from which to move forward.

Many more details about our quarter, and a link to our earnings Q&A are available on Vimeo's IR site at investors.vimeo.com. Thanks for joining!

Philip Moyer - CEO

Hello, I'm Philip Moyer, Vimeo's new CEO. I am excited to be joining the team. I want to take a moment to thank Adam for his work as Interim CEO and his partnership as I ramp in the business.

The past few weeks have been both inspiring and productive. The Vimeo customer base is simply exceptional. We have millions of the most talented and awarded creators and story tellers in the world, as well as thousands of blue chip enterprise customers that use Vimeo to market, share knowledge and tell their stories. It's been a pleasure getting to know our community and the team. I'd like to extend my deepest gratitude for how helpful everyone has been.

In my previous roles I have seen first hand how technologies like cloud computing and artificial intelligence can transform companies and empower individuals to create their best work. But we are still at the dawn of these technologies for both customers and investors. I believe that the value creation in these technologies will come from deep domain focus and customer trust.

Vimeo's position with the most demanding creative customers in the world, its global scale, and its high quality product experience are what attracted me to join. We have a strong financial position relative to our peers and with the right focus I believe we can build one of the most intelligent creative platforms in the world. We intend to leverage creator-centric AI and global scale to elevate creators from the dorm room to the board room.

As I get started at Vimeo, I'm committed to work to return the company to profitable growth. We have great opportunities to increase the value of our offerings to our millions of existing customers. We have an enviable growth enterprise business that I believe can be more systematic in expanding our customer base. We also have many opportunities to partner with larger and smaller companies to accelerate our growth. I've been a part of many high growth stories and I could not be more excited about the opportunity I see at Vimeo.

But, I'm only a few days in my tenure here at Vimeo, so I'll hold off for now and have more to say next quarter. I am looking forward to serving our creator community, learning more about the business and giving you an update next quarter.

Thanks, and talk to you soon!

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EDITED TRANSCRIPT

VME0.OQ - Q1 2024 Vimeo Inc Earnings Call

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CORPORATE PARTICIPANTS

Gillian Munson *Vimeo Inc - Chief Financial Officer*

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

CONFERENCE CALL PARTICIPANTS

Youssef Squali *Truist Securities - Analyst*

Brian Fitzgerald *Wells Fargo Securities - Analyst*

Thomas Champion *Piper Sandler - Analyst*

William Kerr *TD Securities (USA) LLC - Analyst*

PRESENTATION

Operator

Hello, and thank you for joining Vimeo's Q1 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 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 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 - Chief Financial Officer

Hello, and thank you for joining Vimeo's Q1 '24 earnings Q&A session. I'm Gillian Munson, CFO, and I'm happy to be joined by Philip Moyer, our new CEO. You can find our Q1 shareholder letter and additional financial materials on our Investor Relations website.

Before we jump into Q&A, a few quick points on the quarter. We are excited to welcome Philip to Vimeo. As I am sure you will see on this call, his enthusiasm for opportunity and the depth of his strategic and operational experience are going to be great assets for us. I'd also like to thank Adam Gross for stepping in as Interim CEO over the past few quarters.

As for the business results, Vimeo Enterprise continued to show momentum in Q1 with strong growth and impressive customer wins. In self-serve and add-ons, we saw the resilience of our products and model even as we scaled back underperforming marketing spend in the quarter.

Finally, Q1, again, demonstrated the underlying strength of the Vimeo business model. We delivered year-over-year growth in gross profit, net income, and adjusted EBITDA as well as in the margins for all three metrics.

Just two Q1s ago, Vimeo lost \$10 million in adjusted EBITDA. But now with \$12 million in Q1 adjusted EBITDA, the fundamental work we have been doing is certainly showing through. We're excited about what the future could hold for Vimeo, and Philip and I are looking forward to talking with you today.

With that, let's open up the line for your questions.

QUESTIONS AND ANSWERS

Operator

Youssef Squali, Truist.

Youssef Squali - Truist Securities - Analyst

Great. Thank you very much. Good afternoon, everyone. And, Philip, congratulations on the new appointment. So maybe let me start with you. Can you maybe just speak to your key priorities, say, over in the next 12 months? And as you were doing your due diligence, what excited you the most about Vimeo?

And then, Gillian, you beat on the top line, you beat on the bottom line, beat on the -- buy back \$5 million each. And you kept the annual guide unchanged, which implies, I think, mid- to high single-digit revenue decline for the next three quarters.

That's again versus like up 1% in Q1. How much of that is just conservatism of wanting to hopefully keep expectations relatively low? But how much of that also is potentially maybe seeing something perhaps in the self-serve that gives you cause?

Philip Moyer - Vimeo Inc - Chief Executive Officer, Director

Thank you, Youssef, for the question. I'll start. There's a number of things that really excited me about Vimeo. Probably, the thing that has been most exciting since getting here is the opportunity to spend time with customers. We have millions of customers at Vimeo, all kinds of creators, some of the most demanding creators in the world. Hundreds of millions of people view our videos. This past month alone, we had over 25 million uploads of videos and over 12 billion views of videos.

But we also have this incredible blue-chip customer base, an enterprise customer base with names like NATO and [Shine], Nissan. These are hard customers to get and extraordinary names to have in our portfolio.

So I could not be more thrilled about the customer base that we have here. I also couldn't be more excited about the core product set, both the self-serve business as well as the enterprise. I believe that they're going to be great opportunities to grow.

We're headed into a paradigm, what I call kind of the fourth paradigm for video. PCs were the first, the Internet was the second, mobile was the third. In each generation, videos became easier to create and to also watch. And with AI, we're going to see an explosion, I would say, in creation of video and then also viewing a video.

And creators are going to need the ability to be able to help -- to create better, to be able to manage these videos, and then be able to share these videos. And so my focus is to listen closely to the customers over the next few months and really make sure that we're innovating fast and capturing the coming paradigm for video.

Gillian Munson - Vimeo Inc - Chief Financial Officer

And then as it relates to the guide, I think there's a couple of things to think about. The first is that we are in a period of change with Philip joining the company. We have a lot of decisions to make about where we go from here. There are some investments we want to make.

And so the guide is really reflective of -- just there's too many factors to know exactly where to pinpoint it. What we do believe is that the low end of the revenue guide, we're much more confident that that's achievable to beat that number. And then as the year rolls out and Philip's plans become more solid, we'll give you more on that.

Then as you look at the two components of the guide, there's sort of two different factors there. On the revenue itself, we do expect bookings to decelerate sequentially. VE, in particular, has a pretty tough comp as does the other business.

And then in addition, you will continue to see some headwinds from the cuts we're making to paid marketing. That's, long-term healthy for the business, short-term headwind for us. And so that's how you see the bookings.

And then when you go roll that through revenue, what you start to see is that pulls the revenue number down, with a few quarters lag. It's really important to remember that that other business, its bookings declined. I think it's 25% last year. We've got to roll that through the revenue. And so that's really reflected in the guide.

As it relates to the EBITDA, we were really happy with the EBITDA this quarter. The upside to revenue dropped right down to the EBITDA line. But I think there's something important we're saying here, which is that we feel that with the really strong financial foundation we've built over the last two years at Vimeo, that now is the time, especially with Philip here, to go make some investments against the growth and to get back to a sustainable, profitable growth situation. And so we will be taking some incremental EBITDA and investing it, and the EBITDA guide is very much tied to that desire to do that.

Youssef Squali - *Truist Securities - Analyst*

And Gillian, if I could just follow up on that quickly. In terms of the guide, what's baked into it in terms of growth of enterprise versus self-serve?

Gillian Munson - *Vimeo Inc - Chief Financial Officer*

So we don't guide by product, but certainly, Vimeo Enterprise continues to be the strongest growth opportunity for Vimeo. We continue to see very solid growth in that business. And in self-serve, we are dealing with some of the headwinds that we've talked about several times before. So no change in the outlook by product.

Youssef Squali - *Truist Securities - Analyst*

All right. But the assumption in self-serve remains under pressure for the rest of the year?

Gillian Munson - *Vimeo Inc - Chief Financial Officer*

Yeah. Yeah.

Youssef Squali - *Truist Securities - Analyst*

Okay. Thank you. Thank you.

Operator

Brian Fitzgerald, Wells Fargo.

Brian Fitzgerald - Wells Fargo Securities - Analyst

Thanks, guys. Could you talk about the Vimeo Central launch and any early observations on the engagement, collaboration, or productivity gains you're seeing from that product? And then how do you see that translating into growth in seats? Is that a phased rollout? Or is that general availability?

Gillian Munson - Vimeo Inc - Chief Financial Officer

So just first, on the numbers, it's too early. That product came out late last year. So there's -- it's just too early to have specific numbers on it, but we're really excited about this idea of packaging products in a way that enterprise customers can really understand a little bit more. And so we have a really good pipeline of these kinds of releases coming as we really solidify our enterprise position over time.

Brian Fitzgerald - Wells Fargo Securities - Analyst

Got it. Thanks, Gillian, and, Phil, congratulations, and welcome.

Philip Moyer - Vimeo Inc - Chief Executive Officer, Director

Thank you. Thank you.

Operator

Tom Champion, Piper Sandler.

Thomas Champion - Piper Sandler - Analyst

Great. Thank you. Good afternoon, everyone. Gillian, I was wondering if you could just talk a little bit more about some of the reinvestments and incremental revenue and profit growth opportunities alluded to in the letter.

Maybe also if you could just comment in broad strokes about the state of the macro as you see it and some of the things you're seeing with SMBs. It's been an interesting earnings season among some of your peers, and there've been different puts and takes on the SMB side. And just curious what you're seeing. Thank you.

Gillian Munson - Vimeo Inc - Chief Financial Officer

Sure. So let me start with the macro. Not much has changed for us in terms of how we see the macro. And I think the bottom line with us on macro is there are certainly some headwinds out there, but we really believe that Vimeo owns its own destiny and that a lot of what we have to do is very Vimeo-specific.

We see a lot of opportunity out there for Vimeo, and it's our job to go capture that. Macro is not really a thing that really impacts us too much. That said, in the SMB space, we have seen some headwinds. We talked about that last quarter. And they are still there in part. But really, again, Vimeo's opportunity is very large and is very Vimeo-centric.

In terms of Philip's plans, we've given him, what, three weeks to be here. And so those plans are still coming. We'll have a lot more information about what we might want to be doing on the next quarterly call and as we make our way through the year.

But I think the really important thing to think about with this is that sort of two years in from going from EBITDA losses to \$12 million of EBITDA, we have really done some foundational work at Vimeo that's probably a little lost in the story, right?

There's a lot that's been going on to put us in a really, really strong position to now have Philip here and be able to go after some of those growth opportunities from here forward. And I think that's really the key thing that we're trying to relay, that we feel really strong about where we are.

And then now that gives us the opportunity to drop incremental EBITDA dollars into the business as they emerge to invest. Also very important to remember in our EBITDA guide is that flat EBITDA includes roughly \$5 million of incremental cash expense that we are incurring as we've replaced cash with equity in 2024 to limit dilution.

Brian Fitzgerald - *Wells Fargo Securities - Analyst*

Great. Thank you.

Operator

Will Kerr, TD Cowen.

William Kerr - *TD Securities (USA) LLC - Analyst*

Great. Thanks for the question. Two, if I can. So the enterprise business, the customer count was higher than expected. What were some of the key drivers there for customer additions in 1Q? And then on capital allocation, you mentioned in the letter that we could potentially see some share repurchases. Can you just talk about the strategy there, when we might see that, and maybe sort of levels that we should keep in mind as we look at that? Thank you.

Gillian Munson - *Vimeo Inc - Chief Financial Officer*

So let me cover two, and if Philip has any additional color, he wants to add on the enterprise side, that would be great. So on VE, it continues to be the same story of customers realizing that they need to get their video in a better platform and consolidating that onto a place like Vimeo, that our product portfolio is really strong, and that we can help them really manage their video at an enterprise level.

On the capital allocation, yes, we did indicate in the letter that we want to start buying back some stock. Largely, that's going to be surrounded around lowering dilution from share equity grants to employees over the course of the year.

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

Yeah. I would add just a couple of things. The enterprise business, as I mentioned, I am so excited about that business. Over the past year plus, I've been able to spend a lot of time with companies as they are looking at different applications of artificial intelligence in video.

And it is really clear that the use of video in marketing, you get something like 60% higher take-up of a product if you have video, and marketing organizations all over the world are trying to add more and more video to their product portfolio.

Internal communications. You get 91% better efficacy in content than reading. And so organizations are adding video to all their internal communications. And what -- the reality is with a lot of these organizations, there's just nothing inside of these big organizations to manage video at scale. And so we're seeing a lot of large organizations.

We couldn't be more proud of the logos that we put on this year. And these are big companies. Some of the biggest companies in the world, in the health care industry, in the financial services industry, in the retail industry are now starting to consolidate video on top of Vimeo. And so you'll hear more and more about that as the year goes on.

William Kerr - TD Securities (USA) LLC - Analyst

Great. Thank you.

Operator

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

Gillian Munson - Vimeo Inc - Chief Financial Officer

Thank you for joining our 2024 Q1 live Q&A. We look forward to updating you again next quarter. Have a good day.

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