



Q2'24 Earnings Transcript

Interactive Earnings Video and Live Q&A

August 5, 2024

Philip Moyer - CEO

Q2'24 CEO Video Script - FINAL

Hello, and thank you for watching our Q2'24 earnings video.

It's been just over a quarter since I stepped into the CEO role at Vimeo, and I'm even more excited about the opportunities ahead. As mentioned in my first quarter comments, Vimeo is uniquely trusted by some of the most demanding creators in the world, from Cannes and Oscar winning film makers to the video libraries of mega cap enterprises. There are a number of things making me confident about our ability to create value.

Our Vimeo Enterprise product is on track to break a \$100 million annualized bookings run rate, and we continue to add more world-class brands to our roster. In Q2, Workday, Mazda, Goodyear, The Church of England, and many other impressive brands all signed up for Vimeo Enterprise.

AI is a core part of our thesis for how we will drive growth across our entire business. We are the steward of over 8 billion minutes of video assets for our millions of users. We just released into beta our AI-powered video translation service that can translate a video into 29 languages, and we're already seeing an exciting response. We have a deep roadmap for AI that we will integrate with our unique customer workflows. We will make the jobs of creators, marketers, knowledge sharers and all of our customers easier, and bring even more utility and accessibility to their content.

Santander is an example of one of the largest financial services companies in Europe who trust Vimeo to help them serve their internal teams and customers at scale. I encourage you to watch our customer highlight video to see how adopting Vimeo's live events tool has helped them source a staggering 90% of subscribers to their Navigator product.

Looking to the back half of the year, I have three main areas of focus:

1. Create a customer-first culture of agility and innovation
2. Increase the pace of growth in Vimeo Enterprise and reignite Self-Serve
3. Invest in AI and new innovations that excite our customers

To meet our goals and take advantage of the opportunity will require new thinking and execution at scale. I found a lot of great talent here at Vimeo, and I am actively strengthening our team with new leadership hires.

I joined Vimeo because I believe that the company is incredibly well-positioned to power the future of video. We plan to ramp up investment in the back half of the year to drive innovation and create more value for our customers, and I'm confident we can also create significant shareholder value in doing so.

Thank you for your continued support. I look forward to providing an update on our progress next quarter.

Gillian Munson - CFO

Hi, I'm Gillian Munson, Vimeo's CFO, here to highlight some key themes from our second quarter 2024 results. Before that, I encourage you to read through our safe harbor disclosures on investors.vimeo.com.

I would like to leave you with 3 takeaways from the quarter:

First: We are stabilizing our revenue. We posted 2% revenue growth in the quarter, our second quarter in a row of positive growth, driven by continued momentum in our Vimeo Enterprise product. The path to sustained revenue growth won't be linear, but we view Q2 as a positive signal of our ability to achieve that goal over time.

Second: Vimeo's financial strength was again evident in Q2. We generated \$20 million in operating cash flow in the quarter, and ended Q2 with \$311 million in cash and cash equivalents. This strong position has many benefits for the company including the opportunity to reduce dilution through stock repurchases. As of today, we have repurchased roughly 4M shares, offsetting a significant portion of our anticipated 2024 dilution from equity grants.

And finally: With Philip on board we are in a great position to make incremental investments in growth, all focused on our primary goal of driving customer success. We expect to begin increasing the amount we are spending in Q3 to invest in exciting growth opportunities.

I'm confident that the underlying profitability of Vimeo's business model and our balance sheet strength put us in a position to execute against our goals.

Every day more companies understand the value of having a holistic approach to managing their video assets. Vimeo is positioned to be a leader in driving the future of video forward, which we believe will create value for our customers and our shareholders alike.

Thank you for watching. I look forward to updating you again next quarter.

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EDITED TRANSCRIPT

VMEO.OQ - Q2 2024 Vimeo Inc Earnings Call

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CORPORATE PARTICIPANTS

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Gillian Munson *Vimeo Inc - Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Youssef Squali *Truist Securities - Analyst*

Thomas Champion *Piper Sandler Companies - Analyst*

William Kerr *TD Cowen - Analyst*

PRESENTATION

Operator

Hello. And thank you for joining Vimeo's Q2 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 Philip, our CEO. Philip?

Philip Moyer - Vimeo Inc - Chief Executive Officer, Director

Hello. And thank you for joining Vimeo's Q2 2024 earnings question-and-answer session. I'm Philip Moyer, CEO. And I'm happy to be joined by our CFO, Gillian Munson. You can find our Q2 '24 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 grew revenue 2% in Q2, driven by strength in Vimeo Enterprise, which posted 55% revenue growth and again, had some impressive customer wins. We continue to demonstrate the underlying strength of the Vimeo business model as we generated \$20 million in free cash flow and ended the quarter with \$311 million in cash and equivalents. With our strong financial foundation, we have plans to increase our investments in growth opportunities in the back half of this year, and we focused on driving innovation and customer success.

We are excited about what the future can hold for Vimeo, and we look forward to taking your questions. Operator?

QUESTIONS AND ANSWERS

Operator

Youssef Squali, Truist.

Youssef Squali - *Truist Securities - Analyst*

Thanks a lot. Thank you. Hi, guys. Hope all is well. So congrats on a pretty good turn in events here. But it seems like self-serve is -- continues to improve on the margin, but it was still down 9%. Maybe flesh out a little bit your kind of game plan to get that business to inflect? And is it reasonable to assume that it will inflect either by the end of the year or potentially next year, early next year, all things considered?

And then second, maybe, Gillian, on the efficiency that you guys keep showing in OpEx, how much more efficiency do you think you can drive out of the ads business before you start to starve it? Thanks.

Gillian Munson - *Vimeo Inc - Chief Financial Officer*

Sure. Why don't I first take the numbers side and then self-serve? And then, we'll go to the rest.

On self-serve, when we look at the year-over-year rate of growth, it's in and around rates it's been for the last handful of quarters. So no real change there. But there is a change in terms of how we've been working with that business, which is we've taken away paid marketing spend by about 50%.

So in light of that kind of a decline in paid marketing spend, we feel pretty good about where the self-serve business is. But we're not satisfied with the business being down year-over-year. We continue to believe and all our work suggests that we can grow that business. We don't believe it's going to grow in 2024, but we still believe very much in it. And some of the investment planning that we're doing is centered around how we can get that business back to growth as it should be, in our view.

Chief, do you want to talk a little bit about self-serve?

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

Sure. I think it's really important to understand that we're in one of the best markets that we could be in. Video is growing significantly. The formats of video are growing, the amount of video that's growing, the number of creators are growing, and the people we serve in that self-service business, things like individual creators, individual marketers, learners. All of those are great growing businesses. And so what we're going to work on in that business is actually automating even more of their workflow to make it easier and easier for them to do their job. You'll see us as well add a significant amount of AI to that user population as well. We just released this week translations. And we have a significant amount of creators of learners, of marketers that are global in this business.

And so, as we add capabilities like translations, we think it's going to give an opportunity for us to provide even more value to customers. We're going to get packaging and pricing right. I think that there are some things that we can do to package and price our technologies in that self-service business even better. So as we make things easier, as we bring AI to it, as we get packaging and pricing, working correctly, I think that we have an opportunity to be able to grow that business again.

Gillian Munson - *Vimeo Inc - Chief Financial Officer*

And then why don't I address your efficiency? I think we believe Vimeo has the potential to have very, very attractive margins over time. We've talked about this in the past, and that continues to be our view. But I think there are some specifics near term that we've got to think about. The business has been on basically a two-year march of efficiency. The team has done a really, really good job of continuing to drive efficiency through the business even when the revenue has been down. And we think there's still more you could go over time.

However, I think as you look at the business, and you look at our guidance, what you're going to see is that we're actually going to offset some of that efficiency gain with investments for growth. Because I think having shown how strong the business model can be, but without that revenue growth, we really want now is the time to invest because we know we can, and we know we're doing from a very strong financial base. So as you

look at the business in the coming quarters, it's going to look probably less efficient. That's what the guidance implies as well, but that's us really making a determined effort to invest in the business.

So I think the answer is sort of both. We think there's always more efficiency to get. We won't be happy until we get the kind of margins we think we deserve. However, in the near term, we are moving into more of an invest in the business mode because we think the best way to get shareholder returns out there, the kind of shareholder returns we really want, is the combination of margin and growth.

Youssef Squali - *Truist Securities - Analyst*

And just to be clear, the investments you're talking about are across both enterprise and self-service? Or is it mostly across -- or is it mostly on enterprise?

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

Yeah. The great news is that the opportunities are going to be -- or the investments are going to be across both of the businesses. In many cases, like take the example of the translation feature we just announced. As you can imagine, an individual creator that wants to have more accessibility for their videos is the same as -- the exact same requirement inside of an enterprise. So large companies that need to be able to have multinational workforces need that translation capability. The same way that a filmmaker or that an individual marketer or an individual learner wants to be able to have it more accessibility for their content. And so we think that there's a number of foundational investments we can make that serve both of those businesses really well.

Youssef Squali - *Truist Securities - Analyst*

Got it. Thank you so much.

Operator

Tom Champion, Piper Sandler.

Thomas Champion - *Piper Sandler Companies - Analyst*

Hi, Gillian. Hi, Philip. Good afternoon. Good to see you both. Phil, given the forum here, why don't -- I'm curious if you could just talk about your experience over the last 90 days and maybe some of the initial learnings. And I'm sure you don't want to reveal everything at this juncture, but you've talked about investments for growth in the last two quarters now. The EBITDA results, nevertheless, have been quite strong. So just in very broad terms, it would be interesting to hear about your vision, your framework, your thoughts around what investment could entail and what we might be discussing maybe a year from now?

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

Yes. I'm even more excited to be here than I was when I first spoke to you about a quarter ago. The things that I get an opportunity to see inside of Vimeo, kind of in the engine room, are even more exciting. We have a global network that is not to be underestimated in terms of the ability to be able to upload any kind of video and to be able to share it anywhere in the world. Don't underestimate the power of that capability in a world where 82% of the Internet is video. That's an extraordinary statement that 82%, approximately 82% is video flowing around the Internet.

It's a massive market, and we are one of the bigger providers in that space. Last year, we had over 50 billion views of video on -- through Vimeo. And a good portion of that actually was not on Vimeo's website. It was actually embedded in many other locations, whether or not it was a marketing

video, whether or not it was inside of somebody's learning system or whether or not it was streaming over to another site. And so that's an extraordinary position to be in where you're actually powering that many views.

The other thing that I'm really excited about, we have over 8 billion minutes of video that we house for companies around the world and for individuals. We're the steward of that video of those video minutes. And as I look to things like artificial intelligence, the opportunity to be able to monetize and really be able to provide value for every single one of those minutes is even bigger as more and more AI features come out that can enhance video.

What's equally exciting, as Gillian mentioned, we cut marketing by over 50%, but we're seeing only a minor decline when you really think about the scope of the business in the self-service space. As we become more and more efficient at marketing, which I think we can do by actually being more precise about who we market to, I think we can get better and better at customer acquisition.

To be more precise, we're really settling in and when we dig in under the covers to be able to see who really uses our product, how do they use them? We see the creator community. Now, that creator community is growing at over, as I mentioned, 20%. We see digital marketers. Digital marketing is by growing by over 40%. We see the e-learning market that's growing by over 17%. And then we see that OTT, SVOD market growing by over 20% as well. So we have good strong growing markets. We provide this global network. And as we add AI and better workflows, I get even more excited about what we can do for customers. And as a result, what we can do with -- for shareholders.

Thomas Champion - Piper Sandler Companies - Analyst

Thanks for that. Maybe, Gillian, just to ask you about the buyback and activating that this past quarter. And just any thoughts on how to think about the pace of the buyback going forward?

Gillian Munson - Vimeo Inc - Chief Financial Officer

Sure. So we bought back about 4 million shares up to about August 1, about 380-something share, used about \$15 million there. We think that's a great use of capital in terms of our capital allocation. As you know, our balance sheet is incredibly strong, and our free cash flow was also very strong. So we continue to have a desire to buy back shares to offset dilution from employee grants and continue to expect to do that going forward, as we mentioned in our letter.

And now, as you think about capital allocation, there's really three ways to go, right? There's buyback shares, do M&A, invest in the business. And the buyback shares, we're doing that. And then, the M&A for right now is not as high a priority but we think we'll be a great acquirer out there. So we're always looking. And so what we're really focused next is investing in the business and investing against the growth opportunities we see ahead. And so you're really starting to see us enact that plan right here today.

Thomas Champion - Piper Sandler Companies - Analyst

Makes sense. Thank you.

Operator

Bill Kerr, TD Cowen.

William Kerr - TD Cowen - Analyst

Great. Thank you. So my first question is on Vimeo Enterprise. The revenue and the bookings for enterprise came in better than we expected. But subs were flat quarter-over-quarter. Can you just help us understand sort of the puts and takes there? And maybe touch on how you're thinking about enterprise sub-growth through the back half of the year.

Gillian Munson - Vimeo Inc - Chief Financial Officer

Yeah, continue to see strong growth in subs year-over-year. Sequentially, we had a nice increase in AOV. So that's where you're seeing a little bit more on the booking side than on the sub side. And we continue to see very, very strong growth there. So nothing really -- no real news in the quarter on that. And we continue to believe that we're going to see really strong double-digit growth in the enterprise for the foreseeable future.

William Kerr - TD Cowen - Analyst

Okay. Great. And you touched on it there with the rising AOV for enterprise, is that being driven by landing larger customers, deepening our relationship with existing ones? What are sort of -- or just change in pricing? What are the sort of drivers there?

Gillian Munson - Vimeo Inc - Chief Financial Officer

So AOV is really first-time customers, and that was strong in the second quarter and particularly seasonally strong there. In terms of -- we also are deepening our relationship with customers because our ARPU was also up year-over-year really nicely. So we are seeing a larger mix -- better mix of larger deals in our new customer pipeline right now. And I thought I'd maybe throw it to Philip talk a little bit about those -- who those kinds of people are.

Philip Moyer - Vimeo Inc - Chief Executive Officer, Director

Yeah. It's really important. We're providing more capabilities than we ever had to the enterprise. And video is becoming even more complicated to the enterprise. When you think about the need to be able to secure video, to be able to manage video to make sure it's being distributed or just the right person at right -- just the right time, whether or not you're a marketer or whether or not you're a learner, or you have an internal communication message from the CEO, it is becoming more and more complex, especially with the explosion of artificial intelligence.

And as businesses become more and more global, they want to stay in better touch with their global workforce. We're really excited that this quarter, we announced that we actually opened up China. And we took some of the biggest companies in the world into China for distributing video to their employees. Some of the capabilities that we're providing to be able to consolidate all your video into a single video repository is very unique. So it turns out that some of our customers that have used us for marketing also want to use us for e-learning. Some of the customers that are using us for internal communications may want to use us for marketing.

And so more and more, Vimeo is being looked at as the central repository for video for the enterprise, which is a really powerful statement. As a result, we're seeing more 100,000 deals in our pipeline, and we're closing more of these kind of deals than we have in the past. And we're even seeing multimillion dollar deals in our pipeline. And so I couldn't be more excited about the traction that's occurring in Vimeo Enterprise. And as you know, I have a little bit of a background in the enterprise. And so I really intend to ensure that Vimeo in the enterprise is the most secure, the most scalable API driven, that it's really interfacing into things like the directory services of these enterprises and helping these organizations manage their video assets at scale.

William Kerr - TD Cowen - Analyst

Great. Thank you. And Phil, just one more question. You mentioned it briefly before, but we've seen a number of media companies looking to monetize their content via GenAI and via partnerships with some of these companies that are building these GenAI models. Can you just discuss briefly sort of your vision for Vimeo in this broader GenAI ecosystem? And what it can mean for the business? And how you think about maybe licensing content and things like that?

Philip Moyer - Vimeo Inc - Chief Executive Officer, Director

Yeah. We proudly serve some of the most demanding professional creators in the world. Sometimes, those professionals are in their dorm room. Sometimes they are filmmakers. Sometimes they're inside of some of the biggest companies in the world. They want their video and their creative, completely protected and trusted by somebody that is not going to turn around and provide that video to AI. We took a strong stance that we are going to be the trusted place that creators can come, whether or not you're inside of the largest companies or whether or not you're on your own, you can come and have your video protected by Vimeo and make sure it's distributed to just the right person.

Now, that position is really important, especially in the world of artificial intelligence, not just will we allow someone to crawl the video. It actually gets down to something more fundamental. How do we -- the AI that we add into our product, how do we make sure that your AI, the intelligence that you have on your video is just yours? If you make your films a certain way, and you have a certain story line, we're going to protect your storylines and your film-making techniques in your way. If you're a large e-learning organization inside of a company, we're going to protect those video assets. If you have put your CEO, your most important CEO messages on video, we're going to protect those assets as well and make it easier and easier for you and more intelligent.

The exciting thing about this, as mentioned, is that tone of video is growing inside both for the creator community as well as inside of the enterprise. And so we think that we can actually make something that's really personal and simultaneously scalable around the world. We serve video in over 190 countries today. As I mentioned, we get over -- we manage over 50 billion views. We have over 8 billion minutes of video. And we think organizations, what we're seeing right now is that companies are coming to us because they don't trust the public sites, the free sites with their video. They actually trust Vimeo to do this for them. And that's why we're so excited about the growth in that business and across the entire business.

William Kerr - TD Cowen - Analyst

Great. That makes a lot of sense. Thanks so much. Good time.

Gillian Munson - Vimeo Inc - Chief Financial Officer

Thank you.

Operator

With that, there are no further questions. I will pass the call back to Philip.

Philip Moyer - Vimeo Inc - Chief Executive Officer, Director

No, I just want to thank everybody. I want to thank all the team here at Vimeo for the strong work that we had this quarter and the results that you're seeing. And I look forward to spending more time with you next quarter.

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