

BuzzFeed, Inc.(Q4 2024 Earnings)

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Corporate Speakers:

- Juliana Clifton; BuzzFeed, Inc.; Vice President, Communications
- Jonah Peretti; BuzzFeed, Inc.; Chief Executive Officer
- Matt Omer; BuzzFeed, Inc.; Chief Financial Officer

PRESENTATION

Operator^ Good day. Thank you for standing by. Welcome to the BuzzFeed, Inc. Fourth Quarter 2024 Earnings Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded. I would now like to hand the conference over to your speaker today, Juliana Clifton, VP of Communications. Please go ahead.

Juliana Clifton^ Hi, everyone. Welcome to BuzzFeed, Inc.'s Fourth Quarter and Full Year 2024 Earnings Conference Call. I'm Juliana Clifton, VP of Communications for BuzzFeed. Joining me today are CEO, Jonah Peretti; and CFO, Matt Omer.

Before we get started, I would like to take this opportunity to remind you that our remarks today will include forward-looking statements. Actual results may differ materially from those contemplated by these forward-looking statements.

Factors that could cause these results to differ materially are set forth in today's press release, our 2024 annual report on Form 10-K to be filed with the SEC, and our 2024 quarterly reports on Form 10-Q.

Any forward-looking statements that we make on this call are based on assumptions as of today. And we undertake no obligation to update these statements as a result of new information or future events.

During this call we present both GAAP and non-GAAP financial measures including adjusted EBITDA and adjusted EBITDA margin.

The use of non-GAAP financial measures allows us to measure the operational strength and performance of our business, to establish budgets and to develop operational goals for managing our business.

We believe adjusted EBITDA and adjusted EBITDA margin are relevant and useful information for investors because they allow investors to view performance in a manner similar to the method used by our management.

A reconciliation of these GAAP to non-GAAP measures is included in today's earnings press release. Please refer to our Investor Relations website to find today's press release. Now I'll pass the call over to Jonah.

Jonah Peretti^ Thank you. Good afternoon, everyone. Thank you for joining us today. I'd like to begin with an update on where Artificial Intelligence is heading and the opportunity for our business.

Over the past year, we've been pleased to see several companies release capable and affordable AI models including open weight models that can be hosted freely.

We expect the proliferation of powerful models and the reduction in cost of capacity to continue for the foreseeable future, giving us the capabilities we need to transform our business.

We've built our services so that we can easily integrate new models with our data and applications, seamlessly switching the back end to the most current and affordable model. These developments support our strategy of building the application layer on top of AI models, a place where value and profits will increasingly flow.

Fundamentally, AI is a new computing platform that enables applications that weren't previously possible. This continues a well-known cycle in technology where each computing platform gives birth to new applications. Mainframe computers enabled accounting software, PCs enabled word processors, spreadsheets and games and the mobile phone-enabled apps like Instagram and Uber.

The most successful applications use the strengths of the computing platform to unlock value by creating totally new types of software that leverage those strengths. AI will follow the same pattern, and we are excited to build AI-native applications that have the potential to transform our business and the market.

Our initial steps to building on AI platforms only took us part of the way there, bringing increased efficiency to our existing publishing business. For example, our writers use AI to track online trends, organize their research and package content, freeing up more time for them to focus on human creativity.

Our advertisements are targeted more effectively as our Lighthouse product gets the benefit of AI actually understanding our content and delivering more contextually relevant placements.

There are many examples like this, but our publishing business remains human power because taste, editorial judgement and human personality are what audiences want from media brands.

We are excited about the way core BuzzFeed is innovating, and we'll continue to look for new efficiencies in this very human business, running it with an eye toward increased

profitability. However, we also see potential for a new product that more fully leverages new AI technology.

We see an opportunity to make a new kind of social media app that is built from scratch to be AI-native. Facebook, Instagram, Snap, Pinterest and Reddit were all built over a decade ago, even TikTok is almost a decade old, and all of them were designed before the explosion of generative AI capabilities.

They bolted AI onto existing experience -- onto an existing experience, but we believe you can make something much better if you start it from scratch. Existing social media platforms' vision for AI is completely backwards. They use AI to take away people's human agency, manipulating people into spending hours passively scrolling through feeds.

In the early days of social media, almost everyone contributed content, but now most of the content is made by a small group of influencers and professional creators fighting for attention by making increasingly extreme and emotionally charged content. A recent study by the National Bureau of Economic Research found that the majority of respondents would prefer to live in a world where TikTok and Instagram did not exist.

All of this is a problem for the big platforms, but an opportunity for us. We know we can make social media fun again. We can get a higher percentage of people creating and connect people instead of dividing them. We are hard at work building BF Island and are excited to begin private Beta testing it with users in Q2.

Our goal is to convert 5% of BuzzFeed's 34 million monthly users to BF Island. Data from Comscore shows that user time spent on top social media services including sites like Facebook, Instagram, Reddit, Discord and TikTok, is well over 27x higher than time spent with publishers and we hope this trend will hold true for BF Island, driven by its increased personalization and interactivity.

This also reflects the significant engagement increase, up to 10x higher, when BuzzFeed users become community members and use our AI-powered tools and content formats. We are also building social and viral distribution into the platform to drive growth, which we believe could outpace the growth of our publishing business.

The content on the platform will be entirely user-generated with AI assistance, allowing it to scale in ways that are impossible for our other editorial businesses.

If we achieve our conversion and time-spent targets, we are modeling monetizing at an ARPU in the low double digits per year, approximately 50% of Snap, Pinterest and other small social media services.

By leveraging our existing ad platform and direct user revenue and given the above model, we would expect to produce positive EBITDA in our first full year post-monetization and scaling quickly in subsequent years.

While this is a bold new initiative with inherent risks, it represents a high upside opportunity, if successful. We look forward to sharing more in future earnings calls. One final bit of context: Before the rest of the call, the development of BuzzFeed Island is only possible because of the increased efficiencies we found in our core publishing business, allowing us to reallocate resources with minimal additional hiring. AI-assisted software development and productivity tools for our team will enable us to do more while still achieving significant cost savings relative to 2024.

Our investment in BF Island is approximately \$10 million, primarily focused on engineering. This is the efficiency that AI can bring. But once we launch BF Island, we will be even more excited to show you the creativity it can unlock.

With that backdrop, I would like to share some updates on our business. BuzzFeed has improved its position in the marketplace over the past year.

We have improved our fundamentals, stabilized the business and streamlined operations, achieving positive adjusted EBITDA for both Q4 and full year 2024, with full year EBITDA growth of \$17.1 million or 146.8%. We have also fortified our balance sheet entering 2025 with a cash balance that exceeds our remaining debt.

In 2024, we repaid a total of \$153.8 million in debt including \$120 million of convertible debt and \$33.8 million of other debt. These actions were made possible through strategic moves including the divestiture of Complex for \$108.6 million, plus \$5.7 million in fees and the sale of First We Feast for \$82.5 million. Together, these transactions largely recouped our initial cash investment in Complex Networks and First We Feast, which we acquired in 2021 for approximately \$198 million in cash and 2.5 million split-adjusted shares of equity.

With our debt load significantly reduced, we've sharpened our focus on high-margin tech-enabled revenue lines: Programmatic Advertising and Affiliate Commerce. These areas are not only driving adjusted EBITDA profitability, but are also allowing us to build more direct and valuable relationships with our audiences.

As we enter 2025, we remain committed to strengthening our owned and operated platforms, increasing audience engagement and using AI responsibly to enhance our content and business operations. Now I'll hand the call over to Matt to discuss our financial performance and outlook. Matt?

Matt Omer^ Thank you, Jonah. I want to echo Jonah's remarks regarding the increased strength in our go-forward business. With two strong asset sales behind us and our restructurings complete, we believe we are positioned to be a more stable and more profitable business.

As a reminder, all financial results are on a continuing operations basis, excluding Complex Networks and First We Feast. We have meaningfully reduced our go-forward

headcount and cash cost structure. And as a result of paying down debt, we have also reduced our future cash interest expenses.

We have made strides in strengthening our balance sheet and improving overall liquidity. Despite revenue declines in advertising and content, which are primarily driven by our direct sales channels, commerce and other revenues increased 23% year-over-year. And as a reminder, the restructure in Q1 2024 significantly reduced our sales team, contributing to declines in direct-sold advertising and content compared to 2023, but aligning with our pivot toward Programmatic Advertising and Affiliate Commerce. For the full year ended December 31, 2024, advertising revenues declined 17% year-over-year to \$94.4 million, reflecting a shift away from direct hold advertising. However, programmatic Advertising remained relatively flat year-over-year at \$64.9 million.

Content revenue declined 49% year-over-year to \$33.9 million, driven by a decrease in direct-sold deals and fewer studio projects in 2024. Commerce revenues increased by \$11.6 million or 23%, reflecting strong Affiliate Commerce performance in key retail moments.

Affiliate Commerce increased 26% year-over-year to \$59.6 million, and we experienced our most successful Amazon Prime Day to date in July 2024 with a strong double-digit growth, outpacing Amazon's overall Prime Day growth. Our cost-saving measures are in full effect: Despite an overall revenue decline of \$40.6 million, our net loss from continuing operations improved by \$21.8 million. Additionally, adjusted EBITDA improved by \$17.1 million, reinforcing that these cost-saving initiatives are delivering results.

Now turning to our fourth quarter financial results for our continuing operations.

Overall, Q4 revenue was \$56.2 million or down 19.8% year-over-year, which was in line with our midpoint of our outlook. Advertising declined \$6.2 million driven by a \$6.3 million decline in direct-sold advertising.

Programmatic Advertising, however, remained relatively flat year-over-year at \$18.0 million. Content revenue was \$9.5 million, down 59% year-over-year, which, again, was driven by a \$10.7 million decline in direct-sold content and a \$3 million decline in studio revenue, as Q4 2023 included a feature film release.

Commerce revenue increased 39% or \$6 million to \$21.3 million, fueled by strong Affiliate Commerce activity. Adjusted EBITDA for Q4 2024 was \$10.9 million compared to an adjusted EBITDA of \$13 million in the fourth quarter of 2023, but in line with the high end of our outlook.

We ended the quarter with cash and cash equivalents of \$38.6 million, an increase of \$3 million relative to the year-ago period.

And as a reminder, we repaid \$88.8 million in debt during December 2024 and approximately \$5 million of interest. And at the same time we are seeing positive momentum across key audience engagement metrics including time spent, loyalty and engagement.

In the fourth quarter of 2024, time spent increased to 79 million hours, a 10% increase from Q4 2023.

Our flagship BuzzFeed brand continues to lead the way in time spent among its competitive set, reinforcing the company's strong tech optimization and engagement strategies. And onto our owned and operated websites.

In Q4, direct visits, internal referrals and app page views accounted for 64% of U.S. traffic on BuzzFeed.com, strengthening our audience connection and making us less dependent on distributed platforms and algorithm shifts.

HuffPost.com saw a significant surge in direct traffic during the 2024 presidential election cycle. In October '24, direct traffic reached 69.7 million, its second largest, highest month of the year.

Loyalty and engagement trends also reflected positive momentum. Daily logged in users on BuzzFeed.com were 144% higher than Q4 2023 driven by tech optimizations.

And the percentage of loyal users across BuzzFeed web and app, so those who returned more than once within a seven-day period reached 48%, the highest level in over two years.

Looking ahead, we remain focused on accelerating revenue growth and expanding profitability by leveraging our strengths in digital media, first-party audience engagement and scalable tech-enabled businesses.

We believe that by continuing to invest in our core brands and their owned and operated sites, improving monetization strategies and optimizing operational efficiencies, we are positioning BuzzFeed Inc. for sustainable long-term success.

Turning to our financial outlook – Our management team has established a policy of providing annual guidance moving forward, in lieu of quarterly guidance.

We believe short-term guidance encourages a short-term view and inhibits a meaningful focus on long-term strategic initiatives that our company is taking to build up our business for long-term success – in the interest of both our employees and shareholders.

With that, I'll share our 2025 financial outlook. As a reminder, this guidance is on a continuing operations basis and includes our planned investment in BF Island for the year ahead.

We expect overall revenues in the range of \$195 million to \$210 million or 3% to 10% higher than 2024 at the midpoint. And we expect adjusted EBITDA in the range of \$10 million to \$20 million, an improvement of approximately \$10 million year-over-year at the midpoint. Thank you for joining us today. I'll pass it back to our operator.

Operator^ Thank you. This concludes today's conference call. Thank you for participating. You may now disconnect.