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BZFD.OQ - Q2 2023 BuzzFeed Inc Earnings Call

EVENT DATE/TIME: AUGUST 08, 2023 / 9:00PM GMT

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## PRESENTATION

### Operator

Good day, ladies and gentlemen. Thank you for standing by. Welcome to BuzzFeed's Second Quarter 2023 Earnings Conference Call. (Operator Instructions) Please note that today's conference may be recorded.

I will now hand the conference over to your speaker host, Amita Tomkoria, Senior Vice President of Investor Relations. Please go ahead.

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**Amita Tomkoria** - *BuzzFeed, Inc. - SVP of IR*

Hi, everyone. Welcome to BuzzFeed Inc.'s Second Quarter 2023 Earnings Conference Call. I'm Amita Tomkoria, Senior Vice President of Investor Relations.

Joining me today are Founder and CEO, Jonah Peretti; President, Marcela Martin; and CFO, Felicia DellaFortuna. 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 2022 annual report on Form 10-K, our Q1 quarterly report on Form 10-Q, and in our Q2 quarterly report on Form 10-Q to be filed tomorrow.

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 along with our investor letter.

And now I'll pass the call over to Jonah.

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**Jonah Peretti** - *BuzzFeed, Inc. - Founder, Chairman & CEO*

Thank you, Amita. Good afternoon, everyone, and thank you for joining us today. We continue to see a shift in the marketplace as consolidation and share gains across the biggest platforms have presented headwinds for digital content and publishing companies.

Further, at Facebook and other major tech platforms continue to prioritize vertical video, traffic referrals from these platforms to our content have diminished. These dynamics have impacted monetization in Q2 and into Q3. As a result, we expect the year-on-year revenue declines we saw in Q2 to persist in Q3.

To address this, we are laser-focused on our strategy to drive traffic directly to our owned-and-operated properties by introducing new AI-assisted content formats to increase engagement and offer innovative advertising opportunities to our clients, rapidly expanding our creator networks to participate in the rise of vertical video and prioritizing destination news content to grow our HuffPost front page audience. Though it will take time for these initiatives to translate into scaled monetization. We are making good progress in executing against our transformation plans.

The strategic and organizational changes we discussed at our Investor Day in May have been fully executed, putting a rich library of IP and scaled owned-and-operated properties at the center of our operating model to create innovative, audience-driven content.

We are successfully leveraging our trusted brands to attract a growing number of emerging Internet creators in order to more rapidly scale our content output, and we have prioritized resources aimed at growing engagement on our owned-and-operated properties through new AI-powered content formats. In doing so, we are reducing our dependence on the major tech platforms and leaning into our rare combination of voice and scale in a fragmented media environment.

We have strong and differentiated IP across BuzzFeed, Complex, Hot Ones, First We Feast, Tasty and HuffPost each with a trusted and established brand identity. For BuzzFeed it is pop culture, entertainment and curating the best of the Internet using AI to shift content delivery and distribution. For Complex, it is delivering premium original content that covers the latest trends in sneakers, music and convergence culture.

For First We Feast, it is expanding the Hot Ones universe and building more IP at the intersection of food and pop culture. For Tasty, it is attracting emerging food creators and leveraging the social platforms to build community around cooking. For HuffPost, it's breaking news coverage and audience-centric stories for a massive direct to front page audience.

The brands we have built are valuable and hard to replicate. As a testament to that, we continue to lead the industry in terms of Time Spent. U.S. Gen Z and millennials spend vastly more time consuming our content than that of any other digital media company in our competitive set according to Comscore.

With a streamlined sales -- with a streamlined sales team structure and a revamped go-to-market strategy that is anchoring -- that is anchored in 3 intersecting pillars of innovation, Creators, AI, and Cultural Moments. We are now able to leverage the individual strengths of our brands more effectively in order to reaccelerate our growth and close the gap in monetization versus the broader U.S. digital advertising market.

First, we are prototyping new generative AI formats, including quizzes and chatbots. We doubled our output of AI-assisted content from Q1 to Q2, and we expect to continue ramping up at a similar rate in Q3. Second, we are rapidly expanding our creator programs to increase both revenue and content output. Building on the success of the BuzzFeed and Tasty creator program, we have expanded this model to our other brands.

We now have close partnerships with more than 180 creators who publish original content across our distribution channels, and we work with a much larger extended network of hundreds of creators across our brand portfolio. Collectively, creator-led content drove hundreds of millions of views across our network in Q2. And third, we are taking advantage of the fragmented media environment as 1 of the few companies that can deliver culturally relevant moments at scale. Something that platforms or creators can't match on their own.

Moments can be homegrown or they can be part of the broader pop culture calendar. Very few partners can deliver voice and scale together in 1 package. BuzzFeed Inc. is a one-stop shop for big moments in culture, whether it's the NBA playoffs or the latest episode of Hot Ones that marketers can plan for and advertise around.

In Q2, across our brand portfolio, we launched several new products in each of these areas, a few of which I want to highlight on today's call. Starting with BuzzFeed. Buzzfeed has always been a leader in data-driven storytelling, operating at the intersection of technology and media to curate the best of the Internet for our audiences.

In Q2, the editorial team continued to harness AI in new ways to deliver deeply engaging entertainment to our audiences. Over the past 6 months, BuzzFeed has launched several new AI content formats, including new personalized quizzes, chatbots, and multiplayer games and viral AI image collection.

Even more exciting when we look at individual pieces of AI content, we see increased engagement, more Time Spent and AI-inspired image posts that have gone viral across BuzzFeed.com, Instagram and TikTok. One such example is our recent post, here's what Barbie's Dreamhouse would look like in each state, which capitalized on audience excitement around the Barbie film premiere using AI to generate unique images of fictitious Barbie Dreamhouses across the country. The post saw over 1 million views and went viral on TikTok and Reels.

More broadly, as compared to Q1, views of our AI content and Time Spent have both increased 3x, driven by higher content output. And the new content is also driving higher engagement quarter-over-quarter. Our top 20 AI articles published in Q2 generated more than twice the Time Spent when compared to our top 20 AI articles in Q1.

Complex also began integrating AI to engage their audiences in new ways, leaning into the brand's authoritative voice and the audience reach to celebrate the 50th anniversary of hip hop. For print to digital to streaming to experiential, Complex represents the past, present and future of convergence culture as 1 of the leading digital media brands for the hard-to-reach young male demographic, according to Comscore. Complex attracts loyal audiences with obsessions that range from sneakers to streetwear to sports to Hip Hop.

In Q2, Complex continued to celebrate the 50th anniversary of Hip Hop with experimental AI work in partnership with Sprite. This innovative collaboration allows fans to generate a personalized mixtape album cover with the help of AI. Earlier this year, Complex launched its first Creator program, welcoming 18 diverse voices to the inaugural Creator Class, providing an exciting opportunities to deliver original creator-driven content on behalf of brands.

Although it's still early, this content is resonating with advertisers. In fact, Uber is set to team up with us and 1 of our creators, Ross Mac of Maconomics to develop original branded content around financial tips for Uber drivers.

First We Feast, our food and pop culture brand celebrated a huge milestone in Q2, airing the 300th episode of its hit YouTube interview show Hot Ones. Since 2015, Hot Ones has attracted the biggest celebrity guests, garnered more than 25 billion minutes watched, received multiple Emmy nominations and broken new ground for YouTube-endemic talk shows.

In Q2, the show continued to monetize major cultural moments like the NBA playoffs to deliver for our audiences and clients. Hot Ones fans rallied around the NBA playoffs through a collaboration with NBA Playoffs official sponsor Google Pixel. The partnership went deep into the Hot Ones universe to include a Hot Ones episode sponsored by Google Pixel, custom-branded social content designed by our creative teams and brand integrations featuring the Pixel phone across both Hot Ones and the Truth or Dab spin-off series.

Turning to Tasty. Since its launch in 2015, Tasty has taught the Internet how to cook through inspiring recipes, cutting-edge trends and inclusive food stories that reflect the wide identities of our audience. Today, Tasty garners over 1 billion cross-platform views each quarter, and audience engagement across platforms continues to surpass the competition, making it the largest and most engaged food community on the Internet according to Tubular Intelligence.

Over the past year, Tasty has also emerged as a leading platform for food creators. To date, the Tasty Creator program has onboarded 10 residents to develop new content in collaboration with the brand. The residency has produced incredible results, helping creators to grow their audiences substantially while also driving deeper engagement with the Tasty community. This success led to new Tasty TikTok talk series Potatoes 100 Ways, held by 1 of Tasty's inaugural residents Jeri Mobley. This series rapidly gained an audience following earning more than 70 million views to date and securing a multi-episode sponsorship from Idahoan Potatoes.

As we continue to ramp our creator-led content, we're excited to introduce even more ways to bring creators and brands together on our platform. In May, Tasty introduced a first-of-its-kind culinary companion in Botatouille, an AI-powered chef bot designed to revolutionize the cooking, meal prep and shopping experience for Tasty's global community of home chefs.

And users are engaging more deeply than we expected. They're having long conversations with Botatouille asking the chef bot to help solve their daily cooking challenges from meal planning to healthy cooking to ingredient inspiration. HuffPost continued to engage readers with destination

news content in Q2. The brand's breaking news coverage from the high-profile departures at Fox and CNN to the tragic events of the Titan submersible to new developments in the Trump indictment and arraignment drove massive audience traffic during the quarter.

HuffPost is also working with 10 rising stars as part of its own creator program to collaborate on editorial content in order to scale the brand's short-form vertical video offerings while preparing the residents for careers as creators. Resident content has been featured across HuffPost social channels and since its program launched last December, HuffPost has grown its vertical video output exponentially. Across our portfolio of premium brands and IP, we reach millions of young people every day who visit us directly to enjoy our content. And as you've heard, our initiatives around AI, Creators, and Cultural Moments are gaining real momentum with audiences and clients alike, validation that we are pursuing the right long-term strategy for growth and monetization.

As we execute against our vision, we are committed to building a business that delivers significant margin expansion and generate strong cash flows over time. I'm grateful for the support of our shareholders, and honored to work alongside our talented teams of creators, journalists, producers and all our employees as we continue to lead the industry forward with an unwavering commitment to our mission to spread truth, joy and creativity on the Internet.

I'll now hand the call off to Marcela to discuss our business performance and operational highlights. Marcela?

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**Marcela Martin** - BuzzFeed, Inc. - President

Thank you, Jonah, and good afternoon, everyone. Let me start by recapping our Q2 revenue performance and discussing some of the trends we are seeing across the business.

We delivered Q2 revenues in line with the guidance range we provided in May, a decline of 27% year-over-year. Advertising revenues came in below our expectations, pressured by increased competition for both audience time and ad dollars. We saw softness across the traditional sales verticals, including CPG, entertainment and financial services.

Tech was a bright spot in the quarter with year-over-year growth led by the partnership with Google Pixel that Jonah mentioned earlier. Retail also showed improvement in year-over-year trends versus Q1, a testament to our ability to deliver performance-based advertising solutions for large retailers in a down market by bundling our media and affiliate products.

Content revenues outperformed our expectations, driven by higher-than-expected sales against our premium IP programming. Revenues from new creator-driven client partnerships which I will share more on shortly, are also captured here.

Commerce performed in line with expectations with year-over-year growth in our organic affiliate business for the fourth consecutive quarter. Overall commerce revenues declined year-over-year as we lapped last year's metaverse experiential event, which we did not hold this year.

Looking into Q3, the media environment remains challenged. We expect the year-over-year trends in overall revenue to be similar to Q2, as the headwinds we saw in advertising revenues persist and continue to offset the recent momentum in our content business and the return to growth in our commerce business.

From the time we start engaging with the customers until the campaign is executed, it takes about 6 months. That being said, we are optimistic about the potential for our recent sales team reorganization and portfolio-wide go-to-market strategy to reaccelerate revenue growth over the coming quarters. Following the reorganization, our sales team kicked off a nationwide road show in May, meeting with more than 100 clients and representatives from the major advertising agencies to present BuzzFeed, Inc.'s vision for the future of digital media. And clients are responding positively.

We have closed several deals anchored in 1 or more of our 3 pillars or AI, Creators and Cultural Moments, which I will share more on shortly. Similarly, client excitement around ComplexCon is also building with pipeline activity up by a double-digit percentage when compared to the same period last year.

Next, let me share some recent client wins in the areas of AI, creators and cultural moments to illustrate how our focus on these areas are attracting premium brands across major advertising categories. So let's start with AI. As Jonah shared earlier, we have launched new AI-powered content formats across our brand portfolio.

BuzzFeed's Infinity Quizzes continue to attract new brand sponsors in Q2. In partnership with leading mattress brand, Serta, BuzzFeed launched 2 new sponsored quizzes, a dream interpreter and a bedtime story generator. Both quizzes received overwhelming positive comments from BuzzFeed readers and saw above average Time Spent compared to non-AI format. An audience click-through rate and engagement rate both exceeded the client's expectations.

Complex also introduced its first AI product through a commercial partnership with Sprite to celebrate the 50th anniversary of Hip Hop. The Complex team developed an interactive website powered by ChatGPT acting as an art director, this bot crafts a distinctive mixtape cover using original art work created by the multidisciplinary Internet artist OseanWorld. The experience guides fans through its personalized hip hop journey while designing a unique mixtape cover in real time.

In Q2, Tasty began integrating AI to develop fresh content for home chefs. In May, Tasty introduced the first-of-its-kind culinary companion in Botatouille, an AI-powered chef bot, available exclusively in the Tasty app, Botatouille is designed to revolutionize the cooking, meal preparation and shopping experience for Tasty's global community.

The chef bot serves up dishes, meal plans and grocery list when users talk to the bot and ask for cooking advice or recipes. Botatouille integrates shoppable recipes powered by Walmart to make the cooking experience seamless for users.

The audience excitement and engagement we are seeing around Botatouille is driving interest from new and existing clients looking for innovative ways to reach consumers.

Now let's turn to Creators. Across our brands, we now have close partnerships with more than 180 creators, and we are continuing to grow rapidly. Following the success of BuzzFeed and Tasty's Creator programs in identifying, attracting and developing emerging Internet creators we have extended this model to our other brands, including BuzzFeed, HuffPost and Complex, and we expect to introduce First We Feast inaugural Creator Class very soon.

Our work with creators continue to validate our thesis that success for both creators and brands is best achieved when creator-driven content is paired with a strong IP and massive audience reach. While looking at views and engagement of the same content on Tasty channels versus the creator's own channels, the data consistently shows that creator content outperforms on our platform.

This content is also attracting major advertisers looking to execute marketing campaigns rooted in innovation. As Jonah mentioned earlier, in Q2, our creators collaborated with the likes of Uber, State Farm and Idahoan Potatoes, contributing to our better-than-expected content revenue performance in Q2.

We are also experimenting with creator-led content in our commerce business. During Prime Day, we invited Creator -- creators from across our brands to develop original shopping content for our audience. Content was distributed across our platform as well as through creator individual channels. We saw an incredibly positive response from audiences and significantly higher performance from Creator content published through our channels as compared to revenue from the same content on a creator's own channel.

This highlights the power of Creator content paired with our vast distribution network in driving both audience engagement and revenue.

Now in terms of cultural moments. As Jonah mentioned earlier, Hot Ones recently celebrated its 300th episode. The most recent season featured A-list celebrities, including John Mulaney, Jennifer Lawrence, Melissa McCarthy, and Jason Sudeikis, with each episode reaching millions of viewers. In fact, Jennifer Lawrence's interview reached more than 100 million viewers across platforms.

And of the back of its fervent audience is following the show has also continued to attract major CPG brand sponsors such as Procter & Gamble and General Mills. Hot Ones fans also rallied around the NBA player through a deep partnership with the NBA player official sponsor, Google Pixel, going beyond the traditional episode partnership to include custom social content and brand integrations across both Hot Ones and the Truth or Dab spin-off series.

Similarly, Microsoft tapped into our audience reach across Tasty and First We Feast, trusting us with a media campaign to promote their Bing AI launch. And Activision Blizzard invested behind the latest tentpole release of their video game franchise, Diablo, with an episode sponsorship of Hot Ones, a custom co-branded hot sauce and limited edition merchandise.

Before I wrap up, I want to briefly address our cash and liquidity circumstances. Against the backdrop of lingering macroeconomic uncertainty, diminishing returns from the major tech platforms and a tighter digital ad market, we continue to be laser-focused on preserving cash. The fully executed restructuring plans we discussed with you last quarter have meaningfully reduced our go-forward cash cost structure.

We also tapped into the public market via at the market program through which we raised \$800,000 in Q2. These initiatives have enabled us to access additional near-term liquidity in order to complete our restructuring program even amid the current revenue headwinds. And as we exit Q3, we expect to realize the full cash benefits of our restructuring program on an ongoing basis.

Further, as we execute against our AI and creators initiatives, we are building a content creation model that makes our creative teams more efficient and sustainably expand our output without increasing fixed costs.

Thank you, everyone, for being here today. I will now hand the call to Felicia to discuss our financial results and outlook.

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**Felicia DellaFortuna** - BuzzFeed, Inc. - CFO

Thank you, Marcela. We delivered second quarter results in line with our guidance range for both revenue and adjusted EBITDA. Overall revenues for Q2 2023 declined 27% year-over-year to \$77.9 million as expected and in line with Q1 trends.

Performance by revenue line is as follows: Advertising revenues declined 33% year-over-year to \$35.4 million, in line with first quarter trends as expected, as increased competition for both audience time and ad dollars have contributed to lower demand and ongoing pricing pressure.

Content revenues declined 22% year-over-year to \$31.5 million, with year-over-year trends improving relative to Q1, driven by a higher number of branded Content clients quarter-over-quarter.

Last quarter, we introduced the KPIs to represent net branded Content advertiser revenue retention, which is a function of both the number of clients we serve and the spend per retained clients. This metric reflects current period trailing 12-month branded Content revenues as a percentage of prior period trailing 12-month revenues for branded content customers that spent a minimum of \$250,000 in the prior period.

Q2 retention was in line with Q1 trends. Commerce and other revenues declined 17% to \$11 million, almost entirely driven by the metaverse experiential event ComplexLand in the year ago quarter which did not repeat in Q2 2023.

In terms of adjusted EBITDA, we were able to mitigate nearly all of the lower revenue year-on-year with successful execution against the cost actions we announced in April, delivering breakeven adjusted EBITDA in Q2, \$2 million lower than the Q2 2022.

We also incurred charges that did not impact adjusted EBITDA. A full reconciliation of our GAAP to non-GAAP measures can be found in today's press release available on our Investor Relations website. We ended the quarter with cash and cash equivalents of approximately \$41 million, \$9 lower quarter-over-quarter, including approximately \$8 million in payments related to the cost actions we announced in April.

Further, on a year-to-date basis, before restructuring payments we achieved breakeven operating cash flow. Turning to audience engagement and Time Spent. In terms of audience Time Spent, we continue to report U.S. Time Spent across our owned-and-operated properties and third-party platforms according to Comscore. This metric is intended to be viewed in conjunction with our advertising revenue performance.

In Q2, U.S. Time Spent as reported by Comscore declined 9% year-over-year to 96 million hours as we continue to face increased competition for audience time. However, we once again outpaced peer digital media companies in our competitive set by a significant margin.

In terms of creator-led vertical video, ahead of scaled monetization, we are continuing to build audience momentum around newer platforms and formats, including YouTube Shorts, Instagram Reels and TikTok. In the second quarter, views of our short-form content across platforms doubled year-over-year to reach a new quarterly record.

Before I share our financial outlook for the third quarter, let me first provide some context. Starting with revenues. We expect the underlying year-over-year trends in both Content and Commerce revenues to remain consistent from Q2 to Q3. We expect further softness in advertising revenues relative to Q2 as lower client spending trends across our core sales verticals persist into Q3.

Additionally, as Marcela discussed, from the time we start engaging with customers until the campaign is executed, it takes about 6 months. So although we are encouraged by client feedback and pipeline activity following last quarter's sales road shows, we do not anticipate a material impact on Q3 revenues.

In terms of adjusted EBITDA, we have included the full benefit of the restructuring actions in our cost of revenue and operating expense assumptions for Q3. As a result, despite lower year-on-year revenues, we expect to drive year-on-year improvement in Q3 adjusted EBITDA and adjusted EBITDA margin.

With that, I will turn to our financial outlook. For Q3 2023, we expect overall revenues in the range of \$73 million to \$78 million or 25% to 29% lower than the year ago quarter. We expect adjusted EBITDA in the range of \$1 million in losses to \$4 million in profits, up approximately \$5 million year-on-year at the midpoint.

And finally, I just want to reiterate Marcela's remarks regarding cash and liquidity. We continue to be laser focused on preserving cash. As we exit Q3, we expect to realize the full cash benefits of our restructuring on an ongoing basis.

Thank you. I'll now hand it over to the operator so we can take your questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) I'll now hand it over to Amita Tomkoria for any web or questions.

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### Amita Tomkoria - BuzzFeed, Inc. - SVP of IR

Great. Thank you. We have received several questions already, which I've gathered here. So we're going to go ahead and jump right in with the first question for Jonah on the topic of first-party data, Jonah, can you talk about how BuzzFeed is looking to leverage first-party data today? And what advantage this could pose in 2024 as cookies are deprecated.

**Jonah Peretti** - BuzzFeed, Inc. - Founder, Chairman & CEO

Yes. Thanks for the question. So in 2022, our first-party data solution known as Lighthouse has served more than 150 advertisers and delivered over 1 billion impressions. And when our partners use Lighthouse, it drives really meaningful results on average, when partners use our first-party data targeting to power their media campaigns, they generate 2 to 5x higher impact across the brand and business metrics that matter most. We're also seeing encouraging signs with new AI models that are enabling us to better understand all of the content on the pages of our site and use that to create better contextual advertising opportunities and having that flow into Lighthouse is a nice tailwind for improved targeting over the long haul.

And I think overall, the biggest challenge for cookies going away. It will be for sort of the nameless ad tech and brandless types of companies. But having strong brands with really strong contextual alignment and the ability to apply new AI technology is something that will allow us to do a really great job of targeting for our advertisers. So we're excited about the way that first-party data can be applied to our business.

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**Amita Tomkoria** - BuzzFeed, Inc. - SVP of IR

Great. Thank you. Our next question is around advertising revenues. Maybe Marcela, starting with you, with short-form content gaining traction yet again, how is that impacting the business? Can you share some thoughts on monetization in the second half and into 2024?

And then could you also walk through some of the current trends in short-form ad adoption versus owned-and-operated advertising trends?

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**Marcela Martin** - BuzzFeed, Inc. - President

Sure. Thank you, Amita, for the question. So I'm going to start giving some information about what we see in regards to short-form. And then maybe, Felicia, you can jump in to talk a little bit about advertising revenues and the trends that we see.

So in terms of short-form, we are excited that the major platforms have already taken the first step to share monetization with publishing partners. And as we discussed last quarter, we were selected as 1 of the first publishers to participate in TikTok Pulse Premiere vertical video monetization program for publishers.

So this is the first time that publishers will be able to earn passive revenue from organically published content on the platform. And -- but it is 1 of a select group of premium publishers invited to participate. So we are quite happy about that. And we have already been monetizing a short-form vertical video by selling directly to advertisers via creator-less branded content product. As you have also heard earlier on the call, which we will continue to scale for our clients.

And last, I mean, I would like to say that we are well positioned to continue to monetize short-form format. We surpassed 1 billion quarterly views on TikTok for the first time and Tasty's short-form vertical video content surpassed 1 billion quarterly views yet again in Q2.

So Felicia, do you want to go on the second part of the question?

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**Felicia DellaFortuna** - BuzzFeed, Inc. - CFO

Thank you, Marcela. So in terms of overall advertising revenues, the vast majority of our revenue is still driven by our owned-and-operated properties across BuzzFeed.com, HuffPost.com and the rest. Q2 advertising revenues ended in line with Q1 trends in terms of year-over-year with the decline being driven by increased competition for both audience time and ad dollars, which contributed to both lower demand and ongoing price pressure.

However, we are pleased with the short-form momentum in terms of output and audience engagement. In the second quarter, views of our short-form content across platforms doubled year-over-year to reach a new quarterly record. And we have begun to generate advertising revenues

on YouTube and TikTok for vertical video, as Marcela discussed. However, we do anticipate it taking time to scale for generating sizable revenue contributions on a go forward.

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**Amita Tomkoria** - *BuzzFeed, Inc. - SVP of IR*

Thanks, Marcela. Thanks, Felicia. Our next question is on the topic of AI. Jonah, can you discuss some of the early feedback from AI usage. You mentioned how some of the work is pacing. But specifically, what are you seeing in terms of consumer engagement and also anything on cost benefits as well?

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**Jonah Peretti** - *BuzzFeed, Inc. - Founder, Chairman & CEO*

Sure. Thanks. So I think to take a step back, when we think about AI, like any major technology trend we try to think where is the industry headed over the next year, 2 years, 3 years, 5 years. And with these new generative AI technologies, it's clear there's going to be a lot of impact on Digital Publishing and Content.

And so building towards that future and aligning our business with that positive trend is something that we're very focused on. And so we're starting to see some really strong progress for our early work. And I think a good way to understand where we think things are headed, is to look at the work we've done so far, and you can start to get a sense of how we're seeing this AI technology and what we think it's good for.

So a kind of peak into where things are headed. A lot more personalization, customization and interactivity. So BuzzFeed Quizzes were already interactive. But now with AI, they're infinitely interactive. And so that was the first product we launched. Then we expanded to chatbot games where you could create new kinds of conversational interfaces that we found our audience really love and would spend 2, 3, 4x more time interacting with a chatbot game than with a static piece of content.

And then AI assisted imagery that allows us to participate in big cultural moments like the Barbie Dreamhouse example I mentioned earlier on the call. And so those are examples of just new things we can do that enhance our products to make our products more vibrant, more personal and have really worked well with our audience.

On Tasty, you can see we added the Botatouille bot to our app where you can have free form conversations with this bot about what kind of food might cheer up your friend or what kind of things you can cook with a particular ingredient you have in your fridge or for tips or suggestions for making food better.

And it's just a more engaging way of interacting compared to sort of search that you would find on a traditional food site. I mentioned before, Complex launched this interactive Sprite album creation tool, and we've seen other brands who have gotten excited about this new kind of interactivity like a dream interpreting bot for Serta and other kinds of interactive types of content that advertisers and partners have paid us to codevelop with them and launch and distribute with them.

It's still pretty early. And I feel like we've figured out how to bake some good cakes, but we still have to build out the bakery that can scale this and make more content experiences like this widely distributed across our network.

And you also asked about cost benefits. So in terms of cost benefits, One of the big areas we're seeing is in workflow. So our programmers are using copilot tools to be more efficient in their coding. The sales and business team has just recently started to use an in-house tool that we developed that allows them to take RFPs, match them to our product set and turn around a response to a client.

In 1 case, recently, we turned around a response and won a deal in 24 hours when ordinarily, that process would have required bringing lots of teams together and having lots of meetings and maybe a couple of weeks of work, we were able to turn it around in a day. And all of this is using the technology for what it's good for, which is for example, out of the dozens of products we have, matching it with the RFP and what the client

might want and then we bring in creative teams to brainstorm and add that human element to make sure the quality of the work is even better than it would have been had we not had this AI-assisted process.

And so those are just a few examples. And I think when you look at both AI and creators, it's helping us build a content curation model that can be more efficient and more scalable than the traditional models in media. And it is a long road, and we're seeing a lot of early success, but we're building this for a longer time horizon because we feel strongly that this is where media is headed and that there's a lot of ways to enhance the products that we're building to delight our users more and also to find more efficiencies where we can have much more output with the same amount of labor by having copilots and other tools that give our people superpowers to be able to make more and create more, do more, and serve our clients better and serve our audience better because of these AI tools that are assisting them.

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**Amita Tomkoria** - BuzzFeed, Inc. - SVP of IR

And then so moving on maybe to the go-to-market strategy, Marcela, following the reorganization and some of the changes you guys discussed last quarter. Can you provide an update on how that's going in terms of sales productivity cross-sell trends? Any other impacts or improvements that you guys are seeing across the business?

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**Marcela Martin** - BuzzFeed, Inc. - President

Yes, sure. Thanks, Amita. As you may recall, we announced a restructuring in April. And at that time, we also decided to reorganize the sales team. And this restructuring or reorganization of the sales team in the way that they were organized it was finalized or completed in May.

So what this restructuring meant for that team was a reduction in layers and the organization of the teams around 2 mega verticals, products and services, with 5 underlying sales verticals. And right after that, the team engaged in nationwide roadshows, meeting with hundreds of clients and ad sales representatives.

And so far, the response from clients has been positive and we are seeing increased pipeline activity for the back half as well as the positive momentum relative to Q1 in branded content. And as a reminder for the audience, the sales cycle, it takes about 5 to 6 months. So while we expect that it will be potentially reduced with the use of AI in the future, as Jonah gave an example earlier, we are still managing through this timeline. And we expect to start seeing the impact and effects of the latest reorganization probably in Q4.

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**Amita Tomkoria** - BuzzFeed, Inc. - SVP of IR

Great. Thank you, Marcela. And we have time for 1 final question on the financial outlook, Felicia. Back in May, at the Investor Day, you guys had shared outlook for full year profitability and expectations for high teens adjusted EBITDA for the full year. Do you have an update on that? Or can you speak to how your expectations have changed or not since then?

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**Felicia DellaFortuna** - BuzzFeed, Inc. - CFO

Sure. So broadly speaking, last year, we saw compression through the year with top line revenue being challenged in the back half and in Q4, specifically, which had a very muted typical seasonal lift that we would expect going into Q4 from a revenue perspective.

As of today, we are expecting a return to normalized seasonality as it relates to the quarter-over-quarter lift from Q3 into Q4 as compared to 2022 when we saw the muted seasonal lift in terms of revenue. As it relates to bottom line guide for Q3, we expect to drive a year-over-year improvement of \$5 million at the midpoint on adjusted EBITDA.

And we will continue to drive additional OpEx savings through real estate and other non-headcount cost initiatives in the back half of this year.

**Amita Tomkoria** - *BuzzFeed, Inc. - SVP of IR*

Thank you.

**Jonah Peretti** - *BuzzFeed, Inc. - Founder, Chairman & CEO*

All right. Thank you, everyone, for joining us today, and we look forward to speaking with many of you over the coming weeks. That's our call. Thanks.

**Operator**

Ladies and gentlemen, thank you for your participation today. This concludes today's program. You may now disconnect.

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