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BZFD.OQ - Q4 2021 BuzzFeed Inc Earnings Call

EVENT DATE/TIME: MARCH 22, 2022 / 12:30PM GMT

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PRESENTATION

Operator

Good morning, and welcome to the BuzzFeed Inc.'s First Earnings Conference Call.

(Operator Instructions)

As a reminder, this call will be recorded. I would now like to introduce BuzzFeed's Head of Investor Relations, Amita Tomkoria. You may begin.

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

Hello, and welcome to our Fourth Quarter and Full Year 2021 Financial Results Conference Call. My name is Amita Tomkoria, I am the Senior Vice President of Investor Relations.

Joining us today is Founder and CEO, Jonah Peretti; and Chief Financial Officer, Felicia DellaFortuna. The press release and investor presentation are posted to our website at investors.buzzfeed.com.

Before I pass the call to Jonah, I'd like to cover a few reminders. Some of the statements that we make today regarding our business, operations and financial performance may be considered forward looking and such statements involve a number of uncertainties that could cause actual results to differ materially. Please refer to the cautionary language and risk factors described in our filings with the U.S. Securities and Exchange Commission.

During this call, we will present both GAAP and non-GAAP financial measures in our financial results, which 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. As required by SEC rules and regulations, these non-GAAP financial measures are reconciled to their most comparable GAAP financial measures in our results published today.

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

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

Good morning, everyone, and welcome to our first earnings call as a publicly traded company. BuzzFeed Inc. is home to some of the best brands on the Internet, engaging the most diverse, most online, most socially connected generations the world has ever seen. Our mission is to spread truth, joy and creativity on the Internet. Across BuzzFeed, HuffPost and Complex Networks, we reach an audience of more than 100 million viewers monthly with our pop culture, entertainment, food, shopping and news content, inspiring real-world actions and transactions.

We measure our success in terms of engagement, monetization and operating efficiency using 3 primary metrics: audience time spent across our owned and operated sites, Facebook, YouTube and Apple News; revenues generated from our advertising, content and commerce products; and our overall adjusted EBITDA.

I'm incredibly proud of the results our team delivered in 2021. Audiences engaged with our brands more than ever before, consuming nearly 800 million hours of content in 2021. We grew revenues and adjusted EBITDA each by a robust double-digit percentage year-over-year, and we achieved profitability for the second consecutive year.

Our strong performance is a direct result of the passion, creativity and hard work of our talented employees around the world. It is the Internet visionaries, inspired creators and journalists who have shaped BuzzFeed and defined pop culture on the Internet over the years and who will always be core to our success.

Reflecting on the past year, 2021 was a year of many significant milestones for the company. We became the first publicly traded pure-play digital media company, thanks to our partnership and support of 890 Fifth Avenue Partners. We welcome Complex Networks into the company, further strengthening our stable of category-leading Internet brands to include Complex, First We Feast, Pigeons and Planes and IP like the popular show Hot Ones. Complex Networks also brings us an innovative, experiential business to BuzzFeed with ComplexCon and Complex Brand. This accelerates our ability to meet and increase demand for new connected experiences in the metaverse.

We successfully integrated the award-winning HuffPost business, extending BuzzFeed's business model to a complementary demographic audience and driving an immediate boost in financial performance. We welcomed 4 new Board members in 2021. Joan Amble, Adam Rothstein, Greg Coleman and Anjula Acharia. Collectively, they bring incredible expertise from across the tech, finance, media and entertainment worlds.

Turning to 2022. I will discuss how we are building on this progress to further our track record as an agile, cross-platform digital media company. While new to life as a public company, our journey began more than 15 years ago. The digital media landscape is constantly changing, and our team has demonstrated time and again the ability to lead the industry forward through innovation. We have been a pioneer in digital media, and we have a long track record of successfully navigating the ever-changing online habits of our audience and enabling content makers with a growing set of powerful development tools.

Tasty is a great example of our agility. As user-generated video started to emerge as a leading content format on Facebook, BuzzFeed pioneer the introduction of premium original video content on the platform. Today, the brand has grown into the leading food community on the Internet with over 180 million Facebook followers, a robust cross-platform presence with a highly engaged audience across the Tasty website, mobile app and multiple social media channels and multiple sources of monetization from advertising to branded social content, to IP licensing from long-form content and consumer products.

Looking ahead, we are entering another period of evolution. Short-form vertical video is clearly emerging as the preferred content format for young audiences, and we are confident that our ability to scale new content formats across platforms will again serve us well. We are committed to prioritizing our investments around the initiatives that will deliver the strongest long-term returns. As young people continue to spend an increasing amount of time on TikTok, the more established platforms like Facebook are also prioritizing investments in their own vertical video formats to compete for audience time. And we are well positioned to capitalize on this shift through our proven differentiated approach to content creation and distribution.

Our approach follows a reliable, tried and true formula and importantly, is platform agnostic. We first build a sizable audience. We use our proprietary first-party data and platform insights to drive engagement across platforms. We then monetize that engagement through strategic partnerships with social platforms and brand advertisers.

Our proprietary technology stack is powered by machine learning and analytics, enabling us to capture rich insights around audience behavior and preferences. We use this audience signal to inform new content development. This, in turn, means we can attract larger, more engaged audiences and capture deeper, more reliable insights.

And working across platforms, we are able to adapt content from one platform and innovate around format to maximize engagement on other platforms. This means we can reach our audiences wherever they are, across our owned and operated properties and on major social platforms, serving high-quality content at massive scale and low cost.

This powerful content flywheel has enabled us to create category-leading brands and a deep two-way connection with our audiences. Following the same approach, we are accelerating our investment in developing vertical video content with a focus on building large, highly engaged audiences across new and established platforms.

Tens of millions of people have already connected with us on TikTok. The Complex brand account alone has over 5 million followers, and we are already amassing massive viewership to engage with our video content on the platform each quarter.

And just last week, we announced that Tasty will be the inaugural food publisher on TikTok in a partnership that enables select food creators to make Tasty recipes and shop through Instacart.

As we build on this momentum, we view creators as core to our success. Through initiatives such as Complex Catalyst and BuzzFeed's Creator Program, we are committed to attracting and retaining top talent and supporting their creativity with industry-leading technologies, production resources and monetization tools. We expect to double the size of our creator network this year.

Even with our proven ability to rapidly scale, the path has shown that it takes time to ramp monetization of newer content formats. And we believe we are making the right near-term trade-off to position the business for long-term growth. As we plan for growth in the years ahead, we are investing in audience-driven strategies where we see the highest potential for long-term monetization. Let me share some highlights of our progress in this area.

We have continued to diversify our revenue base with a focus on building stronger attribution models around our content. Thus far, we have diversified our advertising revenues across display, pre-roll, mid-roll video, programmatic advertising and custom content on behalf of brands,

strengthened our content business to offer lightweight video advertising products as well as long-form original content, including IP-based shows and feature films, built a differentiated, high-margin commerce business around affiliate partnerships and IP licensing that is strongly aligned with the secular shift to e-commerce.

And moving forward, we are committed to making BuzzFeed News a stronger financial contributor to the larger business.

BuzzFeed News is an impactful award-wining organization that has always been ahead of the curve in covering issues and trends that young people and our larger audiences care about most. This morning, we announced plans to accelerate profitability for BuzzFeed News, including leadership changes, the addition of a dedicated business development group and a planned reduction in force. We will prioritize investments around coverage of the biggest news of the day, culture and entertainment, celebrity and life on the Internet.

And following our announcement in January to create a unified business organization across BuzzFeed, Tasty, HuffPost and Complex, we are consolidating the Complex and BuzzFeed admin team. We also make changes -- we also made changes to our video and editorial teams to prioritize audience-driven strategies with the highest growth and revenue potential.

These are important steps in the integration of Complex Networks in order to establish an efficient cost base to support the combined business and align with audience and industry trends.

As you can see, we are establishing a business model for digital media that serves all stakeholders in the ecosystem, and positions the company to capture an increasing share of the growing digital advertising market.

Our audiences come to us as a trusted source for entertainment and news that reflects the trends and issues they care about most. Creators and journalists leverage our proprietary tools and technology to maximize engagement around their content. We are a one-stop shop for advertisers looking to reach massive young audiences. We help them navigate increasing data privacy regulations and address brand safety concerns through our rich first-party data and contextual advertising solutions.

And we are a trusted partner to the large social platform, seeking a premium alternative to user-generated content. All the platforms want and need sources of trusted content delivered at internet scale, and we are well positioned as a leading supplier for the biggest platforms.

This business model is generating clear financial returns for BuzzFeed. In 2021, we grew revenues by 24% year-over-year to $398 million, and we achieved profitability for the second consecutive year, growing adjusted EBITDA by 35% to $41.5 million or approximately 10% of revenue. And as we grow audience reach and engagement on new platforms, we will be positioned to generate growing financial returns over time.

Next, I want to focus on how we are extending our core business model, what we see ahead and how we are meeting the demand for premium content, both short-form and long-form.

Building on the strength of our brands, and our powerful two-way audience connection, we have and will continue to make investments in building new revenue streams with a continued focus on revenue diversification and margin expansion. And these investments are already starting to pay off. For years, young people have continued to come to BuzzFeed for culturally-relevant content that inspires them to discover new things.

In 2016, we extended this relationship to create trusted shopping content that inspires our audiences to discover new products. Unlike many publishers and platforms that rely predominantly on search to drive commerce revenue, we take a social first approach with a focus on developing shopping content led by our editorial team and informed by our strong audience signal. In doing so, we help customers move down the path from discovery to inspiration to real-world transactions with a single click. In 2021, our shopping content drove approximately $600 million in attributable transactions, up almost tenfold since we launched this business in 2016, as we capitalized on the broader secular shift to e-commerce that was accelerated by the pandemic. And over the same period, we have consistently increased our share of attribution, growing revenues from $4 million in 2016 to more than $60 million in 2021.

As we look to the next phase of growth, we are leveraging our differentiated approach to content creation to build a cross-platform commerce business that extends across both existing and new social platforms and reduces our dependence on any one platform. At the same time, social platforms are investing heavily in commerce tools. We are poised to benefit from their investment by making trusted shopping content in new formats such as video to keep pace with the changing consumption preferences of young people.

As we unify the Complex Network, HuffPost and BuzzFeed teams, we see further opportunities to deepen our commerce relationships with our audiences and partners, extend into new categories and influence shopping behavior to drive growth in this business over time.

And as our platform partners commit significant investments to building the metaverse, we are well positioned to capture our share of this opportunity. We are excited to build on the early success of ComplexLand with further innovation in the metaverse that enables our communities to connect and engage with our content and each other and discover products in new and exciting ways.

The accelerated rise of the streaming platform means there is an unprecedented demand for premium content, and we are capitalizing on this shift by offering a diverse slate of premium content through BuzzFeed Studios. Our approach is informed by our proprietary first-party data and accompanied by innovative marketing and intellectual property extension campaigns.

We are leveraging our rich insights around audience preferences and our vast library of intellectual property to identify and cost effectively develop film and TV concepts that resonate with Gen Z and Millennial viewers. And we are taking a lean approach to production by partnering with some of the largest studios and streaming platforms in the industry, while leveraging our broader creative leadership position and brand portfolio as a marketing platform.

Our data-driven approach to creativity can produce more predictable success in long-form content development. Our first feature film, Book of Love, debuted last month. In its first week, the film ranked in the top 5 most streamed titles in the U.S. on Amazon Prime. We have 4 additional films set to release this year and multiple TV and documentary series in development. Although we are in the early stages, we are encouraged by the demand we are seeing for our content and marketing capabilities and look forward to sharing more on our progress in this area on future calls.

I'm excited about the future of BuzzFeed, Inc. We're structured to adapt to the changes in audience and creator preferences and are committed to investing to stay ahead of the curve. We see a clear shift in audience behavior taking shape as young people migrate to new platforms and content formats. This, in turn, is driving unprecedented demand for premium content. Aligned with these trends, we are making strategic investments to serve this demand across platforms, deepening our competitive moats and helping to shape the next generation of the Internet.

Before I pass to Felicia, let me wrap up by stating that we believe digital media companies can make the Internet a better place. As a trusted partner to tech platforms, we are working together to create sustainable models for good content to thrive. While we have made good progress in this area, we see significant room to strengthen the attribution models around premium content in a way that benefits platforms and content creators.

As we unify our go-to-market strategy across our expanded network of category-leading brands, extend our content creation and distribution capabilities to new formats and platforms and scale our emerging businesses, we are confident that we can lead the industry forward and create long-term value for our audiences and shareholders alike.

Our vision is clear and our approach is proven. I'm excited for our future and confident we have prioritized the right strategic investments to position BuzzFeed for stronger returns in the next phase of growth. We look forward to updating you on our progress in the quarters to come.

With that, I will turn our call over to our CFO, Felicia DellaFortuna, who will take you through our financial results and outlook.

Felicia DellaFortuna - *BuzzFeed, Inc. - CFO*

Thank you, Jonah, and thank you, everyone, for joining us. It's great to be with you for our first earnings call as a public company. To echo Jonah's remarks, 2021 was a fantastic year for BuzzFeed. We delivered results in line with our December outlook, growing both revenues and adjusted EBITDA by double-digit percentage year-over-year. And we achieved profitability on both a GAAP and non-GAAP basis for the second consecutive year. Before I review our results for the full year and the fourth quarter of 2021, I will provide a brief overview of our revenue and cost structure.

We report revenues across 3 primary business lines: advertising; content; and commerce. Advertising revenues consist primarily of payments we receive from advertisers for ads distributed against our editorial and news content, including display, pre-roll and mid-roll video products sold directly to brands and also programmatically. We distribute these ad products across our owned and operated sites as well as third-party platforms, primarily Facebook, YouTube and Apple News.

Content revenues consist primarily of payments received from clients for custom assets, including both long-form and short-form content from branded quizzes to Instagram takeovers to custom affiliate posts. Revenue for film and TV projects produced by BuzzFeed Studios and Complex Networks are also included here.

Commerce revenues consist primarily of affiliate commissions earned on transactions initiated from our editorial shopping content. Revenues from our experiential and product licensing businesses are also included here.

Our quarterly revenue profile generally reflects the seasonality of advertising spend and holiday shopping, with approximately 1/3 of revenue and the large majority of adjusted EBITDA typically generated in the fourth quarter.

As a complement to our revenue reporting, we also provide a time spent metric, which captures the time audiences spend engaging with our content across our owned and operated sites as well as YouTube and Apple News as measured by Comscore and Facebook as reported by Facebook. This metric is intended to be viewed in conjunction with our advertising revenues. Instagram and TikTok are also significant platforms for us in terms of audience engagement, However, considering these platforms offer limited advertising revenue share opportunities, we monetize engagement primarily through branded or custom video content. Therefore, these platforms are not reflected in our time spent metric. It is important to note that consistent measurement of audience engagement across all platforms continues to be a challenge for our industry. In the absence of third-party tracking, we are committed to updating you on our progress in growing audience engagement on these new platforms.

Turning to costs. Our cost of revenue is primarily driven by content creation. This includes our staff writers, journalists and producers as well as our network of freelance creators. Traffic acquisition costs are also captured here, although historically less than 5% of our traffic is paid. There is a fixed component of the cost of revenue in our full-time content creation and news reporting staff. Our operating costs include general and administrative, sales and marketing and research and development expenses. These costs are managed centrally and support all brands in our portfolio and remain relatively consistent over the course of the year as revenues fluctuate. As a result, our operating leverage improves as we move through the year, and this is typically apparent in sequential improvements in adjusted EBITDA.

As Jonah alluded to in his remarks, our business model is aligned with several macroeconomic and secular trends. I will discuss those trends briefly here, as it relates to our financial performance and expectations.

As audience behavior shifts and young people continue to spend more time on emerging platforms, such as Instagram and TikTok, we are accelerating investments in new content formats for these platforms with a near-term focus on building a loyal, highly engaged audience. As we continue to extend our content capabilities to these platforms, we will also look to extend our strategic partnerships with these platforms to build strong, sustainable attribution models around our premium content.

The accelerated rise of streaming platforms means there is unprecedented demand for premium content, and we are well positioned to serve this demand. We are building a studio business aligned with the secular shift and are poised to generate strong financial returns as we scale our offering over time. We are doing this by leveraging our proprietary first-party data and platform insights and the reach of the broader BuzzFeed brand as a marketing platform, while taking a lean approach to production through partnerships with leading studios in the industry.

Amid the rapidly evolving data privacy landscape, it is becoming increasingly difficult for advertisers to drive returns on the large tech platform. This only reinforces our value proposition. Through the strength of our brands, our comprehensive suite of ad products and proprietary first-party data and platform insights, we offer advertisers the contextual alignment and tools they need to effectively and efficiently reach massive young audiences.

As platforms continue to struggle with the policing of user-generated content and the impact to advertisers on their platform, BuzzFeed has become a trusted partner in providing high-quality, brand-safe content to serve advertiser demand. And we continue to see strong demand for our premium content from our largest platform partners.

The past 2 years have been a challenging and uncertain period for individuals and businesses, navigating the global COVID-19 pandemic. We saw the largest single year reported increase in audience time spent in 2020 as millions of people in the U.S. and around the world were locked down. At the same time, many of our largest advertisers pulled back spending. The growth of our commerce business was also accelerated by the lockdowns and fiscal stimulus, but has slowed more recently as the world reopened, consumers returned to shopping in stores and retailers struggled with supply chain disruptions and labor shortages.

Although these cross currents present some uncertainty in the near term, as we see how audience and consumer behavior continue to shift through reopening and beyond, we are confident we have the right value proposition in place to drive long-term growth and strong returns.

Turning to our 2021 results, inclusive of approximately 11 months of HuffPost and approximately 1 month of Complex Networks, we delivered revenues of $398 million, up 24% year-over-year, led by robust double-digit growth in advertising and commerce.

Time spent grew 6% to 789 million hours across our network of brands. Time spent on our owned and operated properties increased 5% year-over-year as the consolidation of HuffPost and Complex Networks into the 2021 results offset declines in BuzzFeed against the period of pandemic-driven strength. And time spent on third-party platforms increased 7%, driven by BuzzFeed as well as the inclusion of HuffPost and Complex.

Advertising revenues grew 37% year-over-year to $205.8 million, driven by strong double-digit growth in BuzzFeed advertising revenues on the owned and operated properties as advertiser spending recovered from pandemic-driven lows in 2020. HuffPost and Complex contributed $24.9 million and $6.1 million in full year advertising revenues, respectively.

Content revenues grew 9% to $130.2 million, driven by the inclusion of $12 million of Complex revenues. These results more than offset the declines in BuzzFeed as expected as we reoriented the business towards lightweight video products to align more closely with advertiser demand and generate higher returns.

Commerce revenues grew 19% to $61.6 million, after a very robust growth in 2020, driven by the broader shift to e-commerce, new affiliate partnerships and product innovation.

Adjusted EBITDA was $41.5 million, up 35% year-over-year, driven by higher advertising and commerce revenues, improvement in content gross margin and the addition of HuffPost and Complex. Adjusted EBITDA margin improved to 10.4% of revenue.

We ended the year with cash and cash equivalents of approximately $80 million after onetime payments related to the closing of the Complex acquisition.

Now I will move to our fourth quarter financial results, inclusive of HuffPost and approximately 1 month of Complex Networks. Time spent declined 4% year-over-year to 186 million hours, reflecting a shift in time spent away from Facebook and on to platforms such as Instagram and TikTok. As discussed earlier, due to limited revenue sharing, these platforms are not included in our time spent metric. Time spent on our owned and operated platforms grew 35% year-over-year, driven by the addition of Complex and HuffPost, while time spent on BuzzFeed owned and operated properties were roughly flat year-over-year. Time spent on third-party platforms declined 19% versus the year ago quarter, driven primarily by the shift away from Facebook and the comparison to outsized time spent in the year ago period.

We delivered revenues of $146 million, up 18% year-over-year with robust growth in advertising and content revenues offsetting lower commerce revenue.

Fourth quarter advertising revenues grew 24% year-over-year to $69.1 million, driven by the addition of Complex and HuffPost.

Content revenues grew 33% to $59.9 million, driven primarily by the inclusion of Complex Network in this year's results.

Commerce revenues declined 26% to $16.7 million against the year ago quarter that benefited from Amazon Prime Day, pandemic-related lockdowns and fiscal stimulus. Additionally, as Jonah mentioned, Commerce is an emerging business for us. Our social first approach means that the majority of audience traffic to our shopping content comes from Facebook, given its maturity relative to other social platforms. As a result, the shift in audience time away from Facebook has disproportionately impacted our commerce revenues relative to other businesses. We are leveraging our cross-platform distribution network to extend our commerce business to the faster-growing platforms, thereby reducing our dependence on any one platform over the next couple of years.

Adjusted EBITDA was $34.2 million compared to $38.7 million in the year ago quarter, driven primarily by the shift in revenue mix year-over-year. We achieved an adjusted EBITDA margin of 23.5%.

We also incurred charges that did not impact adjusted EBITDA, including $26.7 million relating to the revaluation of our convertible note financing, $9.7 million in transaction costs associated with the business combination and acquisition of Complex, which are generally nonrecurring in nature, and $22.7 million in stock-based compensation, primarily driven by the recognition of certain restricted stock units granted to employees in the years prior to becoming a public company.

These charges were partially offset by a $21 million income tax benefit related to the release of a valuation allowance against our deferred which was primarily driven by the acquisition of Complex Networks.

Turning to guidance. I will first discuss our approach and then move to our expectations for the upcoming quarter.

Given the seasonal nature of our business and the rapidly shifting online preferences of audiences and consumers, we are providing guidance for the following quarter. Our approach aims to provide meaningful quarterly updates for investors on current trends in our business and progress toward our goals to help inform external expectations, while also ensuring we stay focused on creating long-term shareholder value.

Turning to the underlying assumptions around our Q1 outlook for our combined business on a pro forma basis.

Starting with time spent, given audience shifts to TikTok and Instagram and the exclusion of those platforms from our time spent metric, at this point in the quarter, we continue to see audiences spending less time on Facebook. As discussed, we plan to share updates on our progress on the newer platforms on future calls.

On revenues, in our advertising business, we continue to see strong demand from our advertising clients across all categories. Against a challenging and uncertain macroeconomic backdrop, certain categories, such as retail and CPG are off to a slower start in Q1. Additionally, we expect the current trends and time spent to put pressure on Q1 advertising revenues. That being said, we have already built a strong sales pipeline for Q2 with year-over-year growth across all major categories.

Moving to content, we expect to drive modest growth in Q1 revenues as we continue to scale our diversified portfolio of native products.

In our commerce business, so far, in Q1, the trends are similar to what we saw in Q4 as audiences continue to spend less time on Facebook. And we are lapping outsized growth rates in the first half of 2021. Please note that our Q4 2021 pro forma results include revenues from ComplexCon. However, we continue to see strong conversion rates among our audience. And as Jonah discussed, as we invest in shopping content for the faster-growing platforms, we expect to capitalize on the shift in time spent and improve the runway for monetization over time.

In terms of adjusted EBITDA, we have historically generated losses in Q1, our smallest revenue quarter with an improving sequential profitability profile as our operating leverage improves through the year.

Our Q1 guidance does not assume any further near-term M&A activity.

With that, I will turn to our financial guidance.

For Q1 2022, on a pro forma basis, including Complex Networks in the year ago first quarter, we expect revenues to be down by low single-digit percentage year-over-year. On a reported basis, excluding Complex Networks in the year ago first quarter, we expect revenues to grow by approximately 30%. We expect adjusted EBITDA losses in the range of $15 million to $20 million for the combined company and we expect stock-based compensation expenses in the range of $3.5 million to $4.5 million.

As we look ahead, we are excited by the opportunity to evolve and further extend our business model to newer, faster-growing platforms. By maintaining operational focus and cost rigor as we unify our go-to-market strategy across our expanded network of category-leading brands, extend our content creation and distribution capabilities to new formats and platforms, and scale our emerging businesses, we are confident that we can create long-term value for our audiences and shareholders alike.

Thank you.

And I'll now turn the call over to the operator so we can take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Our first question comes from Jason Kreyer with Craig-Hallum.

Jason Michael Kreyer - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

Jonah, I just wanted to ask, so you're obviously making these incremental investments in your capabilities and short-term video. Just wondering if you can give us a flavor for how much of this is a greenfield investment versus how much can you leverage the existing capabilities on the long-form video side? And then curious if there's a way to kind of isolate the cost or the investment that you're going to make over the course of the year?

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

Thanks for the question, Jason. So one of the advantages we have is we have a large library of content that we've created and the ability to adapt that content to new platforms is something we've gotten really good at. So if we have, for example, YouTube videos that people love, adapting them into a vertical video for TikTok or for Reels or for YouTube Shorts it's something that we've had a lot of success doing. In addition, our tech and data science platform lets us understand how audiences are interacting with content. So when we approach a new platform, we're able to take that platform and use it to understand what's working, what's not working, what are people watching, where are they sharing, When are they dropping off and not watching till the end. And that allows us to correct and fix any issues with content to adapt it effectively to a new platform.

So it really -- we start by doing it with very small teams. The investment is not that large because really a small team of really creative people are what you need to crack a platform. Plus, the technology platform we've already built and the library of content we've already created gives us a lot of leverage when we move onto new platforms.

And in fact, we found that we've been able to ramp faster on new platforms and that means that when a platform is very nascent, it's not clear that it's a winner. We don't need to invest or spend as much time on it because we can wait and move very quickly once we have conviction that a platform is going to be a major player in the space and take share.

Jason Michael Kreyer - *Craig-Hallum Capital Group LLC, Research Division - Senior Research Analyst*

Okay. And then one more for me. Just wondering if you can talk about your access to permission first-party consumer data kind of how you drive traffic to your owned and operated properties? And then how you're accessing -- how you're getting access granted by consumers that allows you to target them with not only content, but advertising?

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

Yes, that's a great question. I think BuzzFeed, Inc. as well as other premium content companies that are creating content and distributing on owned and operated properties have a really nice advantage in this environment where privacy is more important because we're making content that allows for a contextual alignment of advertising. So if you're watching a show called Sneaker Shopping on Complex, you're probably going to be interested in buying sneakers. And if you're interested in fashion. And if you're on Tasty's app and you're looking for recipes to cook for your family, we've seen that through Shoppable Recipes partnership with Walmart, people click through and actually buy groceries. So there's a nice alignment for commerce and for advertising just by having brands that people trust and making content that has contextual alignment. So that's a big part of it.

And then also having a significant owned and operated both apps and website, gives us a lot of valuable data about a very large audience. And then when consumers are on other platforms like a YouTube or TikTok or Facebook, we have less data, but we have gotten very good at taking data from the APIs of these platforms and using machine learning and other tools and analysis to understand behavior, particularly consumer behavior in aggregate so that we can better serve the consumers. And we have worked on products like Lighthouse and others to help us really deliver for our advertisers who want to provide really contextual well-targeted advertising in an environment where that's harder to do because of new privacy rules.

Operator

Our next question comes from John Blackledge with Cowen.

John Ryan Blackledge - *Cowen and Company, LLC, Research Division - Head of Internet Research, MD & Senior Research Analyst*

Great. Maybe 2 for Jonah and 1 for Felicia. So Jonah, is BuzzFeed monetizing the short-form vertical video currently? And is there -- or is this a kind of potential growth area over the course of '22 for the company? And then just curious, have you noticed a pause or impact to brand spend since the conflict in Ukraine started?

And then for Felicia, just any further color on kind of key drivers of the 1Q EBITDA guide?

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

Sure. Thanks, John. So in terms of short-form content, we're really following a playbook that's a tried and true playbook that we learned with Tasty and Tasty started when Facebook video was a new thing, a little over 5 years ago. And there was no advertising or commerce monetization possible. But what we figured out is that you could create branded content, so product placement or branded content or with a partner where an advertiser would partner with us. And so then as the platform evolved, they started to support advertising and commerce capabilities, and we added those to Tasty.

And so we expect there to be something similar with, for example, TikTok where, right now, and with short-form content on Instagram, where creator takeovers, branded content, things like that are an effective way for us to monetize right now. But in the future, we expect there'll be more scalable commerce and advertising solutions. And so we focus on attracting audience first. And then usually from that, we are able to build a good branded content business. And then from there, we can extend to commerce and advertising as the platforms evolve. So we're really going through that process again, which is familiar to us from watching how platforms developed in the past.

And your second question was about the conflict in Ukraine. And I would say that we're not particularly exposed to the economy of -- the Russian economy or the Ukrainian economy. It is obviously a terrible humanitarian crisis, and we are covering it in our news division. But as a business matter, I would say we're really only exposed to the broader macroeconomic trends that any business would face if the conflict affects the larger global economy.

Felicia DellaFortuna - *BuzzFeed, Inc. - CFO*

John, this is Felicia. So to your third question in thinking about Q1 2022 adjusted EBITDA guidance. From a year-over-year perspective, there are 2 main drivers to the change on a pro forma basis. About 50% of the change is associated with us now being public. So for comparison, Q1 2021, the cost structure was on a private perspective. And in Q1 2022, we have incurred incremental costs as it relates to audit fees and D&O insurance - just associated with being public.

And the other 50% is associated with the change in revenue mix. So as you know, commerce tends to be our highest margin, advertising second, content is third. And so as a result of commerce being a lower percentage of our total revenue in Q1 2022, that is impacting our bottom line from a year-over-year perspective.

Operator

Our next question comes from Brett Navon with Bank of America Securities.

Brent Navon - *BofA Securities, Inc - Research Analyst*

On your 1Q guidance, it sounds like at least in advertising, retail CPG is a little bit softer, but it sounds like that is at least bouncing back initially as of now for 2Q. So as we sort of think about the 1Q guide of pro forma revenue down low single, I mean, should we think about that as, hopefully, a trough for the year as maybe the -- assuming that nothing else changes that -- those categories continue to get better as we think about just the regular cadence for 2022?

Felicia DellaFortuna - *BuzzFeed, Inc. - CFO*

I would say in thinking about the Q1 2022 guidance and to just give a bit more color on each of the revenue lines. So as we noted, in Q1, we are seeing similar trends on commerce that we did see in Q4. And as Jonah noted, we have invested in shopping content for the faster-growing platforms, we do expect to capitalize on the shift in future quarters and improve the runway for monetization over time.

For advertising, as you have mentioned, we have seen strong demand from our advertising clients across all categories in Q2. But we do continue to be challenged by the time on Facebook moving to TikTok and Instagram. And then for content, we have strengthened our business to offer more lightweight video advertising products as well as long-form original content. And so we do expect to drive modest growth in Q1 as well as in future. And the other important item to note is we do expect the comps to ease towards the back half of the year.

Brent Navon - *BofA Securities, Inc - Research Analyst*

Got it. That's helpful. And just a follow-up on the short-form videos and the investments that you're making around that. I mean, it sounds like some of this is shifting towards these newer platforms. I mean is this something that we could potentially see a benefit from in the second half of this year? Or is this something that may even take a little bit longer? Just any sense of timing of when we could potentially see benefit from a lot of -- from these new investments that you're making in the video area?

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

Yes, I would say we are already seeing benefits with our Creator business, which a lot of our Creator business is short-form and creator grams and takeovers that are short-form content based types of engagements with brands. And that business has grown significantly year-over-year, and we think that there's a lot of opportunity. It's already a business that we're engaged in and is a component of our revenue. And so I think we'll see short-form grow throughout the year.

I think it's important to note that the fact that short-form isn't as well monetized, for example, as a shopping poster article or a longer-form video, which has pre-roll, mid-roll on it. It's harder to do that with a very short video. Means there are some monetization limitations to this kind of content. But we expect to see an evolution similar to what we saw with Facebook video, between sort of 5 years ago to 3 years ago. And already TikTok, for example, announced that they're doing a longer -- allowing longer TikToks on the platform, which is something that we predicted and expected and to see that was reassuring because short videos are really great for engagement and growth and longer videos are better for monetization. And I think the platforms have to balance that. And so we're expecting to be able to navigate that quite well based on our past experience.

Operator

And I'm not showing any further questions at this time. I'd like to turn the call back over to Jonah for any further remarks.

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

Thank you, and thanks, everyone, for joining the call today. We really value your input and welcome the opportunity to engage with you at upcoming investor conferences and events over the next few months. We're excited about this new phase as a public company and are confident in our ability to lead the industry forward and create long-term value for audiences and shareholders alike. We look forward to updating you on our progress in quarters to come. Thank you.

Operator

Ladies and gentlemen, this does conclude today's presentation. You may now disconnect, and have a wonderful day.