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PRESENTATION

Operator

Good afternoon, and welcome to BuzzFeed Inc.'s First Quarter 2022 Earnings Conference Call. (Operator Instructions) As a reminder, this call will be recorded. I would now like to introduce BuzzFeed's SVP of Investor Relations, Amita Tomkoria.

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

Hi, everyone. Welcome to BuzzFeed, Inc.'s First Quarter 2022 Earnings Conference Call. I'm Amita Tomkoria, SVP of Investor Relations. Joining us today are Founder and CEO, Jonah Peretti; 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 and in our quarterly report on Form 10-Q filed with the SEC. 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 may present both GAAP and non-GAAP financial measures. 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 GAAP to non-GAAP measures is included in today's earnings press release. The press release and an investor presentation are available on our website at investors.buzzfeed.com. And now I'll pass the call over to Jonah.

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

Hello, everyone, and thank you for joining today. I'm incredibly proud of all our teams have accomplished in the first quarter. We completed the unification of the sales, business and admin teams across BuzzFeed and Complex Networks. We demonstrated agility across our editorial, video and news teams in serving rapidly evolving audience and consumer preferences, and we delivered Q1 revenue and adjusted EBITDA in line with our March outlook, led by robust performance in our content business.

We generated revenue of $92 million, representing year-over-year growth of 26%, with the introduction of lightweight video products and the acquisition of Complex Networks, our content business is stronger than ever, and we are achieving immediate monetization of new content formats.

Complex Networks is celebrating its 20th anniversary this year. With this acquisition, we are now offering advertisers a wider range of brand-new content opportunities, helping them lean into platform shifts and positioning us to drive stronger revenue growth through our content business.

Q1 also marked the 1-year anniversary of the HuffPost acquisition. The business continues to perform incredibly well with Q1 revenues and engagement, both growing strongly year-over-year.

Looking ahead, we expect Q2 revenues to surpass $100 million for the first time in our history. This is nearly double the level of Q2 2020, a significant accomplishment in just 2 years, driven by the efficient integration of our recent acquisitions. Last quarter, I spoke about how we are entering another period of evolution in digital media.

User engagement data from analyst surveys and third-party tracking points to the fact that short-form vertical video has clearly emerged as the fastest-growing content format for young audiences, with TikTok rapidly gaining share relative to traditional platforms.

As the major tech companies like Meta and Google make investments to compete, they have reported that formats such as Reels and Shorts are capturing an increasing share of overall audience time spent on their respective platforms. As competition for audience and time intensified, demand for our content is also rising. All of the major platforms are seeking culturally relevant, vertically optimized video content to serve their audiences, and we are a trusted partner in providing this content to them at scale.

We have seen this before as new formats emerge, demand for our content grows. The monetization journey starts with branded or exclusive content as a precursor to scaled advertising and commerce solutions. This is where we excel. Our diversified business model enables us to drive immediate monetization through branded content on behalf of advertisers. Our business has proven resilient through such seismic market shifts. We prioritize innovation and operating agility to capitalize on these shifts and lead the industry forward.

Unlike many others in our ecosystem, the strength of our diversified business model is only reinforced as the industry faces a range of macroeconomic challenges. Amid rising inflation, ongoing supply chain disruptions, geopolitical uncertainty, and increased data privacy regulations, we continue to be a trusted one-stop shop for advertisers. We are helping brands solve the biggest challenges in the marketplace today. These include getting reliable audience data, navigating the world of influencers and creators, and leaning into platforms and formats our audiences are going to next.

To serve rising demand from audiences, platforms and advertisers for short-form vertical video, we are leveraging our tried-and-true approach to content creation and distribution. Our proprietary tech stack and highly scalable content flywheel have enabled us to produce high-quality content at massive scale and lower costs. With this approach, we can also capture deeper audience insights in two ways: First, by extending these capacities to new platforms of formats; second, by applying our learnings to maximize engagement across platforms.

Despite the challenges that individual platforms are facing, overall digital media consumption is growing, and we are not betting on a single platform to win. Instead, we are investing in audience-driven strategies where we see the highest potential for long-term growth and monetization. We meet our audiences wherever they are across our owned and operated properties and on traditional and emerging platforms.

Our track record shows we can successfully evolve to reach young audiences wherever they choose to go next. This enables us to grow audience reach and engagement and generate growing sustainable financial returns over time.

With this as a backdrop, I'm excited to share progress we have made in 3 key strategic areas: First, introducing new vertical video products for advertisers; second, unifying our creator program; and third, expanding our best-in-class first-party data services.

Starting with vertical video. Last month, at BuzzFeed, Inc.'s first ever upfront in New York, we announced the launch of UpShots, a lightweight branded video product for advertisers developed exclusively for vertical formats, including Reels, TikTok, Shorts and our own sites and apps.

Each platform has made investments in their own vertical video format, but importantly, UpShots is the most comprehensive platform agnostic solution designed to help advertisers achieve influence at scale. With tons of original short-form video content from our major brands and on behalf of clients distributed across their network, we have already developed strong audience signal around vertical video.

UpShots combines these learnings with the power of our category-leading brands, cross-platform scale and creator infrastructure. In doing so, we are removing the friction for advertisers, making it easier to develop creator-led vertical optimized campaigns that cut across platforms.

The early feedback from clients has been very positive. We look forward to working with our advertising partners to scale UpShots across platforms, including our own and drive robust advertising revenue growth over future quarters.

We have also expanded our existing relationships with a large tech company. We are creating original content for Reels on Facebook and Instagram, Shorts on YouTube and TikTok. In just one example, our animation series, The Land of Boggs, has seen exponential viewership growth on YouTube shorts in recent months with daily views regularly passing 10 million.

With this approach, we are growing audience reach regardless of where young people choose to spend their time, and we are helping the major platforms scale adoption of their own short-form video solutions and maximize returns on their investments.

We are also making selective investments in our TikTok channels, where engagement with our original video content continues to grow robustly. Our presence on TikTok is anchored in our major brands such as Complex Networks' Hot Ones interview show, already loved on YouTube, we are introducing recut Hot Ones content on TikTok.

Meanwhile, Tasty has gained incredible momentum on TikTok with video views and engagement in the month of April alone surpassing Q1 totals. TikTok is also right for rapid iteration. Some of our most successful TikTok channels are built around native animation, a direct result of leaning into powerful audience signals on the platform. These are just a few examples of how we are capitalizing on the emergence of new content formats to expand the reach of our brands to entirely new audiences.

With tons of original content across our brands that is vertical-optimized, we can also offer advertisers access to hard-to-reach consumers in a frictionless way, from lightweight product placement to editorial sponsorships that are tightly integrated with our vertical video content. BuzzFeed continuously strives to be at the forefront of audience shift, leaning into our distinct advantage, a two-way connection with our audience. Our largest brands were built around identity and engagement. We know how to harness the power of shared identity to maximize audience engagement. We have also been a creator led publisher from the start with deep expertise in creating compelling first-person narratives that resonate with online generations.

Shared identity and first-person storytelling are powerful forces in the rise of short-term vertical video. And as you can see, we are bringing our expertise in these areas to the advertising clients and platform partners further strengthening our position as a one-stop shop for advertisers in helping the major platforms to maximize their own investment in vertical video.

Turning to our second strategic area of investment. We introduced a unified creator program across Buzzfeed and Complex Networks known as Catalyst. Catalyst brings together category-leading brand, a diverse roster of talent and best-in-class greater tools and services from both companies. Some of the biggest careers in media and culture have started at BuzzFeed and Complex. As part of the integration, we unified the Buzzfeed and Complex Networks creator programs under a single brand name known as Catalyst.

Catalyst serves our combined network of more than 100 creators with a comprehensive set of technology, product resources and tools to power their entire content creation and monetization engine.

As an advertiser, it can be difficult to navigate the world of influencers and creators. By partnering with us, advertisers have access to a trusted network of talent. We help them identify creative partners that are ideally suited to represent their brand while leveraging our relationship and infrastructure to execute their campaign effectively and efficiently.

With the launch of Catalyst, we are further cementing our leadership position in attracting and retaining the next generation of Internet creators. We expect to more than double the size of our creator network this year and we are solving an important challenge for advertisers looking to tap into highly lucrative influencer-led marketing opportunities across multiple platforms.

And finally, all of these solutions are powered by our expanded first-party data offering. In the absence of individual targeting capabilities, advertisers are prioritizing access to rich first-party data, cross-platform insights and contextual alignment.

Data has always been key to BuzzFeed's ability to create content and brands that scale. Last year, we rolled that data into a single offering for advertisers known as Lighthouse, our proprietary first-party data solution that allows advertisers to tap into our rich audience and platform insights to optimize the effectiveness of their ad campaigns.

With an expanded portfolio of category-leading brands, including BuzzFeed, Tasty, Complex Networks, HuffPost and BuzzFeed News, our clients can now tap into our proprietary insights across an audience of more than 150 million people according to Comscore. Our audience spans food lovers, sneakerheads, young parents, luxury shoppers, you name it. And as the #1 destination for Gen Z and Millennial audiences, we can offer advertisers access to highly reliable data around consumer preferences to achieve influence at scale. This is the reason we continue to attract the biggest advertisers in every category.

Our clients include major CPG retailers like Target or Walmart, leading entertainment brands like Disney and Paramount and some of the largest banks and financial institutions.

By extending BuzzFeed's Lighthouse capabilities to the Complex Networks' family of brands we have a best-in-class first-party data offering to support our advertising partners in a cookieless future.

Through focused investments in these 3 strategic areas vertical video, first-party data and creator programs as well as the rapid integration of Complex Networks into the company, we are increasingly well positioned to serve the growing demand for brand-based, culturally relevant content, deepen our competitive moats and help to shape the next generation of the Internet.

Importantly, these 3 areas of investment are synergistic and aligned to become more than the sum of their parts with a cross-platform creator-first approach to vertical video powered by our rich first-party data, we are able to offer our partners a comprehensive solution to the biggest challenges they face in the marketplace today.

As a result, we are poised to deliver another successful quarter we expect Q2 revenues to surpass $100 million for the first time and drive strong profitability. And with ongoing execution of our investment priorities, I'm confident we can continue to lead the industry forward in scaling and monetizing new content formats across existing and emerging platforms.

I am grateful for our talented network of creators, journalists and producers who inspire young audiences every day with original food, news and entertainment content and to our shareholders and partners for their continued support as we execute on our vision to make the Internet a better place.

With that, I will turn the 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. I'm excited to walk you through our financial results today. Our investments in audience-driven strategies with the highest potential for long-term growth and monetization are yielding excellent results and we believe we are increasingly well positioned to deliver attractive returns on these investments.

We delivered first quarter results in line with our March outlook for both revenue and adjusted EBITDA. Revenues grew 26% year-over-year to $91.6 million, driven by robust double-digit growth in our content business. Reported revenue growth was at the low end of our guidance range of approximately 30%, driven by a change from gross to net revenue accounting for the Complex creator program.

With this change, the accounting treatment for creator revenues across BuzzFeed and Complex are now consistent. Without this change, year-over-year revenue growth would have been 30%.

As a complement to our revenue reporting, we also measure audience time spent across our owned and operated properties and third-party platforms. Overall time spent declined 4% year-over-year in the first quarter as expected. This was driven primarily by declines on third-party platforms as audience consumption patterns continue to favor short-form vertical video formats such as TikTok and Reels, which are not captured in our time spent metric.

Time spent on our owned and operated properties was also impacted as these platforms capture an increasing share of audience time. As a reminder, this metric reflects time spent on our owned and operated websites and apps, YouTube and Apple News as reported by Comscore and Facebook as reported by Facebook. This metric does not capture time spent on TikTok, Instagram, Snapchat or Twitter.

Although we are not yet able to leverage industry standard reporting to measure audience time spent on newer formats like TikTok and Reels, we monetize this consumption through our content business by offering advertisers a wide range of products to reach consumers natively on each platform. To provide the best look at our progress in this transition, we will continue to share both quantitative metrics including revenues generated through our content business and qualitative updates around audience engagement on emerging platforms.

Turning to our Q1 results by business. Advertising revenues grew 26% year-over-year to $48.7 million led by growth on our owned and operated properties, primarily driven by the acquisition of Complex Networks, which closed in December 2021. Advertising revenue generated on third-party platforms was lower year-over-year, consistent with the trends in time spent. Content revenues grew 65% year-over-year to $32.3 million, driven primarily by the acquisition of Complex Networks. With the Complex acquisition and the introduction of lightweight video products at BuzzFeed, our content business is stronger than ever, enabling us to grow in a rapidly shifting market.

Commerce revenues declined 27% year-over-year as expected to $10.6 million against outsized growth rates in the year ago period. Additionally, as discussed last quarter, because our commerce business is still emerging, the majority of audience traffic to our commerce content is generated through Facebook. As a result, our commerce revenues were also impacted by the shift in audience consumption patterns discussed earlier.

In terms of adjusted EBITDA, we generated losses of $16.8 million in the first quarter as expected. This reflects the typical seasonality of our business. We have historically generated losses in Q1, our smallest revenue quarter with an improving sequential profitability profile as our operating leverage improved through the year. When compared to the first quarter of 2021, our adjusted EBITDA reflects higher content revenue mix as well as OpEx increases relating to public company operating costs.

We also incurred charges that did not impact adjusted EBITDA, including $8 million of depreciation and amortization with the year-over-year increase attributable to the recognition of intangible assets associated with our acquisition of Complex Networks; $5 million of interest expense largely related to our convertible note financing. $5 million relating to the revaluation of our convertible note financing and warrant liability, and $4 million in stock-based compensation, which is driven primarily by stock-based compensation granted to employees as part of our annual long-term incentive program. We ended the quarter with cash and cash equivalents of approximately $74.5 million.

Before I discuss our outlook for the second quarter, let me first share some of the current trends we are seeing across the business in order to provide context for the financial outlook.

Starting with time spent, as discussed, vertical video formats are capturing an increasing share of audience time, pressuring consumption on traditional platforms. And because of the fastest-growing vertical video platforms, including TikTok and Instagram, are not currently captured in our time spent metric, we continue to expect similar year-over-year declines in reported time spent as compared to Q1. However, we continue to make great progress in growing audience engagement in vertical video across platforms, and we will continue to share more here in the absence of industry standard reporting across platforms.

On revenue, in our advertising business, we expect the year-over-year revenue growth rate to soften somewhat as compared to Q1, driven by various factors. Many of our largest advertising partners continue to face macroeconomic challenges. Our tech clients continue to be challenged by supply chain constraints. CPG and retail are battling similar challenges while also navigating rising inflation. As a result, some advertisers are pulling back or delaying spending.

Further, these market-wide issues are dampening the typical seasonal lift in pricing we would expect from Q1 to Q2, presenting some headwinds to programmatic advertising revenue. That being said, after a slower start in Q1, we have seen strong momentum on direct sales in recent weeks, winning large deals across multiple categories, including entertainment, auto and CPG. This momentum highlights the strength of our diversified revenue model.

With scaled advertising businesses across both programmatic and direct sales we have the ability to navigate market dynamics around engagement and pricing and to do so profitably. And with a unified go-to-market strategy across BuzzFeed, Tasty, HuffPost and Complex, we see the opportunity to achieve greater scale and drive stronger margin contribution through our direct sales model over time.

Moving to content. We expect another quarter of robust revenue growth with the acquisition of Complex Networks, we are now able to offer advertisers a wider range of solutions. These include branded content, editorial and series sponsorship, custom affiliate posts and a long-form film and TV content. And as you heard, we have now added a short-form vertical video solution to our product portfolio with UpShots.

With this breadth of products, we are helping clients lean into platforms shift positioning us to drive stronger revenue growth through our content business.

Our commerce business continues to face headwinds similar to those discussed broadly across the e-commerce sector, including our largest retail partners, and we will again face the comparison against the elevated growth rates experienced in the second quarter of last year. As a result, we expect Q2 revenue trends in the range of what we saw in Q1.

In terms of adjusted EBITDA, we expect to be profitable in the second quarter. This sequential improvement is driven by the typical revenue seasonality in our business as well as initial efficiencies from the unification of the Buzzfeed and Complex sales, business and admin teams. Our outlook does not assume any further near-term M&A activity.

With that, I will turn to our financial outlook. For Q2 2022, we expect overall revenues to grow by a low 20s percentage year-over-year. We expect adjusted EBITDA in the range of $2 million to $7 million, and we expect stock-based compensation expenses in the range of $11 million to $13 million.

Before I wrap up, I want to reiterate that I am proud of what we accomplished in our first full quarter as a combined company. Following the integration of the sales, business and admin teams across BuzzFeed and Complex, we are now going to market with a combined portfolio of category-leading brands. We are also capitalizing on the highly complementary offerings of both businesses to further strengthen our best-in-class tools and services for both advertisers and creators.

As we continue to execute against our investment strategy, we are increasingly well positioned to lead the industry forward. I am confident we have prioritized the right investments, focused on audience-driven strategies with the highest potential for long-term growth and monetization. And by maintaining operational focus and cost rigor, we are able to maximize our returns on these investments. 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) And our first question comes from the line of John Blackledge with Cowen.

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

Two questions. First, Felicia just kind of touched on it, but could you talk about the advertising environment that you're seeing thus far in the second quarter, given the different macro cross currents and maybe like which industry verticals are kind of leading pullback or pause in spend?

And then second question on the vertical video initiative. Any way to kind of frame potential revenue contribution from that emerging segment in 2022? And how are the margins for short-form video relative to kind of other forms of content creation that BuzzFeed does?

Felicia DellaFortuna - *BuzzFeed, Inc. - CFO*

Thanks John. So I would say on our advertising business, as you know, it's comprised of both direct sales and programmatic revenues and it is a scaled advertising business. On the direct sales side, our team has really done a great job of navigating the current market.

Travel and Financial Services were two areas where we saw strength in Q1 and then although CPG and retail were slower to start, we have seen trends improve in both categories into Q2. We have also seen a lot of momentum in Q2 in entertainment and auto. And then obviously, the flip side for us has been tech where our partners are being impacted by the broader supply chain disruption.

On the programmatic business, we are seeing more of an impact from macro factors especially given kind of the seasonal uplift that we would tend to see from Q1 to Q2 being dampened. However, we do have the benefit of being cross platform and having a diversified advertising model across both programmatic and direct. The other area I would add for Q2 is with the unified go-to-market strategy across BuzzFeed, Tasty, HuffPost and Complex, we do see the opportunity to achieve greater scale and hopefully drive stronger margin contribution over time.

On your second question, as it relates to vertical video, I would say that it is one of the products that are considered in our content revenue line. And so what we do see, which is one of the trends that you're seeing in Q1, is that H1 will continue to be pressured by the mix shift towards content away from commerce.

We do, however, expect H2 to show margin improvements from the cost synergies that we announced in Q1 as a result of the integration of the Complex business, sales and admin teams and that we also expect easing comps in the back half of the year. So we are expecting seasonal improvement sequentially as we move through the quarters as a result of the improving operating leverage related to our fixed cost infrastructure.

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

John, just one quick note on short-form video. It is advantageous in the sense that it is not a 8-minute 12-minute video like what you might produce on YouTube and so it is less expensive to make branded content in short-form vertical video that still reaches large audiences and has a big impact.

So of course, it's an emerging area and emerging platform, Reels, and -- I mean TikTok and Reels and Shorts are relatively new. But the encouraging part of it is it's a good form of communication. It doesn't require massive production in order to make an effective video that reaches millions of people.

Operator

And our next question comes from the line of Jason Kreyer with Craig-Hallum.

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

So you had a lot of content that you discussed at your NewsFronts a couple of weeks ago. Just curious if you can highlight the feedback that you heard from advertisers just as you had conversations coming out of that presentation.

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

Yes, we heard from a lot of advertisers that were very excited about UpShots and the ability to do branded content and vertical video across multiple platforms. It was also -- the data work with Lighthouse is also very well received. A lot of clients are looking for new first-party data solutions, looking for contextual advertising opportunities.

There's a big reset in the industry that is requiring advertisers to work with trusted brands that have first-party data. So that was a great opportunity for us to tell that story and let advertisers know how much we're doing there.

And then the creator trend is a big trend and one of the pain points for advertisers and clients is how to work with a really fragmented field of influencers and creators and how do you know which ones to work with. And so the expansion of that combined with Lighthouse and vertical video solutions was really a synergistic combination. They know they can come to us and get vertical video made by creators with really strong data, and that combined is something that is more than the sum of its parts. So it was a good opportunity.

And then I would just say more broadly, just seeing the Complex team and the BuzzFeed team on stage together, seeing the way we're working together, seeing the way that Tasty and First We Feast are launching a food festival together there's just a lot we can do now that we're integrated, now we're all one team.

We've integrated the business and admin and back office. We got the Lighthouse capability across all of the Complex properties and the teams together, building together, creating together. That was something that, I think, opened the eyes to a lot of the advertising community that you read a news article about an acquisition, but seeing it in action and -- is a different feeling, which was a great milestone for us.

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

And then you've talked a lot already about this transition to short-form video, but I just wanted to take a step back and maybe understand the progress that was made in the quarter. If you can give any detail on these platforms that you're working with, maybe where some of them a little bit further ahead of the curve where you're more instrumental in helping them create that path to monetization?

And then this may be more for Felicia. But I think there's going to be a period of time where that pivot from long form to short-form creates a little bit of a hole that needs to be filled. At what point should we start to maybe come out the other side and see more of a return to growth on content as you build up that short-form expertise?

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

Yes. So we really feel like this is history repeating itself. When you look at 5 years ago and the rise of Tasty, that was built on very short-form in-feed video when Facebook was launching video, and that was new on Facebook. It was more about growth for them. They didn't really monetize it.

We had to build content solutions, branded content product placement in order to generate revenue there. It feels very similar now with TikTok and then Shorts and Reels on Instagram and Facebook, they are launching these new products to make sure that TikTok doesn't take share from them or too much share from them.

It's more -- it's less focused on monetization. It's more focused on growth and audience growth. That means we need to figure out the monetization ourselves, which is why we launched UpShots, which is why the content revenue line is so important for us on new platforms. New platforms favor branded content, native advertising, and we've done that for many years now when we see a new platform that's growing.

Once TikTok, Facebook, Google start to really focus on more scalable advertising solutions. They will bring the rev share and commerce revenue lines onto those platforms. And so for us, it's really a matter of how do we navigate the shift in the strategy of these platforms. But right now, they're less revenue focused, they're also sharing less revenue. We can take control of our business by doing branded content, native advertising.

And we know -- we expect in the next 6 months to 2 years, it's hard to predict exactly, we're going to start seeing the shift towards rev share and commerce models, advertising and commerce models. And so we're staying very close to them. We're having high-level conversations up and down the organization of these platforms.

And when that shift happens, we will likely be in beta partners with them the way we have been in the past and started building out the advertising and commerce lines. That's how it's worked in the past, and it seems like we're seeing a lot of pattern recognition on this that it will work that way with this new short-form vertical video format.

Felicia DellaFortuna - *BuzzFeed, Inc. - CFO*

And to add to Jonah, I mean, in looking at Q1 2022, content was the key driver of our revenue growth at plus 65% year-over-year. And while the Complex Networks was a primary driver of that, BuzzFeed stand-alone had also increased from a year-over-year perspective, reflecting the change in mix of content, right, which was one of the items we had discussed in terms of offering more lightweight native branded products as part of our overall portfolio.

So we feel confident with the introduction of Complex as well as all of the BuzzFeed, Inc. products that we do have a scaled content business that can offer a wide array of products both from Lightweight to premium content to our advertisers. And so in Q2, we do expect content to continue to lead the growth for Q2, which really highlights our diversified business model. And we do feel confident in being able to successfully navigate the market shifts we are seeing.

The only item I will note is that with Q2, we do note that as content revenues do increase as a percentage of total, that is our lowest margin. And so that will have some impact as it relates to our adjusted EBITDA numbers that are reflected in our Q2 guidance.

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

One more for you, Felicia. The change in revenue recognition that hit Q1 by about 4 percentage points, should we assume a similar headwind to the Q2 guide that you provided? In other words should we assume that, that revenue would have been around 4% better than the low 20s you guided?

Felicia DellaFortuna - *BuzzFeed, Inc. - CFO*

I would say the way to think about the gross versus net is that very similar to our traditional advertising seasonality that we have disclosed previously as it relates to Q1 and its percentage of total revenue. That would be a good guide in thinking about the impact that the gross versus net has had on Q2 and we also have disclosed in our Q, both the pro forma as well as the impact of the gross versus net recognition in our filing.

Operator

And our next question comes from the line of Brent Navon with Bank of America.

Brent Navon

Just want to circle back to the advertising market and just given the volatility right now. What's, I guess, the current visibility that you have into these advertising trends and some of the commentary about the verticals or it seems like tech might have gotten -- tech got worse, but maybe financials improved? Anything just from month to month on a consolidated basis on how advertising has trended from March to April to May would be helpful.

Felicia DellaFortuna - *BuzzFeed, Inc. - CFO*

Yes. So I would say in terms of direct sales, we did see recovery as it related to CPG and retail in Q2 with very strong book dollars, and we did see new verticals really showing increases in overall. We're looking at visibility as it is today in terms of our total book dollars across the business, and feels good in terms of the guidance that we're sharing for Q2 as it relates to the performance of advertising.

I think the big headwind, which is also a bit of a tailwind is in being able to look across the platforms themselves and having a robust programmatic offering. In 2021, there was the seasonal uplift that everybody saw in terms of advertising CPMs across the market. And so we are seeing a softening of those CPMs across the programmatic space.

Brent Navon

Got it. That's helpful. And just as a follow-up, I guess bigger picture, I think one of the strategic rationales of you going public was to consolidate some of these subscale brands into BuzzFeed and obviously, the market conditions have drastically changed from an industry and just from a general macro. And I'm curious how you guys view your position in the market right now given all these changes?

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

Brent, thanks for the question. So I think the changes in the market haven't had a huge effect on us in the sense that valuations are relative and if the market is down, that means there's more attractive acquisition opportunities out there for companies that are going to be looking for exits especially the subscale digital media companies because they realize that it takes a lot of investment upfront to build a commerce business an events business, a programmatic ad tech, all the different pieces you need to build a diversified model.

And so having that built out already and being able to plug in additional brands into that and audiences into that is something that creates a lot of value, and so we can share in that value with that acquisition target.

I think in some cases, the fact that some of the private digital media companies are still private and we're public, it gives us a head start, and we can navigate through a choppy market, get in a position where we have a strong platform and be acquisitive not just this year but in years to come and be further along than a lot of the competitors in our space.

Operator

Thank you. I'll now turn the call back over to Founder and CEO, Jonah Peretti, for any closing remarks.

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

Thanks, everyone, for joining the call today. We look forward to seeing you at upcoming investor conferences and events over the next few weeks. Thanks.

Operator

So ladies and gentlemen, this concludes today's conference call. Thank you for participating, and you may now disconnect.
