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BZFD.OQ - BuzzFeed Inc at Needham Technology and Media Conference

EVENT DATE/TIME: MAY 16, 2023 / 1:30PM GMT

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PRESENTATION

Laura Martin - *Needham & Company - Analyst*

(audio in progress) on popular culture content and served in various management roles there from the company's found until its sale to AOL. In 2001, BuzzFeed acquired HuffPost, bringing the award-winning news organization back full circle to Jonah. And let me also do Marcela Martin, who is the President of BuzzFeed. Marcela oversees all revenue and administrative functions of the company. Prior to joining BuzzFeed in August of 2022, Marcela served as the CFO of Squarespace, where she led the company through its direct listing on the New York Stock Exchange.

She has also served as the CFO of Booking.com and Executive Vice President, CFO and Chief Administrative Officer of National Geographic Partners, previously spent 18 years in numerous leadership positions, including EVP and CFO at Fox International Channels. She is originally from Argentina, which means she's going to have an awesome accent and she graduated from the University of Morón with a degree in accounting and received an MBA from Liverpool.

Okay. So good, now we just have New York City. So Jonah, let's star -- let's level set. I watched the two-hour presentation for the two -- for the people in the room who didn't, why don't you give us an update on where BuzzFeed is today and where you're going from here?

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

Yes. So I guess first, just a very high-level update. So BuzzFeed, in the last couple of years, has gone public, acquired HuffPost back, which you mentioned in the introduction, acquired Complex, Complex Network, which is sneakers fashion, the Hot Ones show, First We Feast. So we have this collection of brands that includes BuzzFeed, Tasty, Complex, HuffPost.

And collectively, these brands reach more millennial and Gen Z audience than any other publishers in our competitive set. And so I think that's a great advantage that we have that and everything we do is sort of built off of the strong brands and scale that we brought together with this collection of brands.

And then what we're really excited about now and what we're seeing a lot of growth area in is creators, AI and then cultural moments. And so to just quickly go through those, creators is just this trend that we're seeing of media being made by individual people where instead of having the brand in front, you have a creator in front. But those creators really need partners like Tasty.

And so if you look at Tasty, our food brand, the creators are generating the majority of the content now for Tasty. The content that they put on the Tasty channels gets twice the views that they would get if they were just putting on their own channel. So partnering with creators has been a really exciting area for us.

And then the second area is AI. And so obviously, there's a lot of hype around AI and I'm sure you all follow following along with it. But generative AI, for a company like ours, with our brands and our distribution, allows us to make more content in a way that is more personalized and that connects with audiences in a deeper way. And so we started with the iconic BuzzFeed quiz and we evolved the BuzzFeed quiz to become what we call Infinity Quizzes, where now, the user answers the quiz and get an infinite number of possible personalized responses.

And so we're seeing 40% more time spent on those quizzes than the traditional quizzes. We also are -- have launched our first chatbot game, and we have more of that kind of generative AI power content to come. And then the third is moments -- cultural moments. And essentially, that's filling the vacuum left by the platforms.

And so if you think about YouTube or Facebook or any of the big TikTok, any of the big platforms, because they don't have editorial teams and they are just sort of aggregating and recommending all this content from all these different publishers, they're not really able to move culture in the same way that a publisher like BuzzFeed Inc is.

So when there is a MTV Music Awards or the Oscars or a holiday -- back-to-school holiday shopping, we are able to swarm across all of our different brands and make content for those things. And we're also able to create cultural moments with things like ComplexCon, which is tens of thousands of people gathering at a convention in Long Beach around music and fashion and food.

And so pushing things into culture and having cultural influence is a big area that we've seen a lot of strength in because the platforms don't have that capacity. And a lot of the brands that we partner with and publishers who want to partner with a publisher see that we can do cultural impact at scale with really strong voice in a way that they can't really get other places.

And so I guess just to quickly summarize: lots of strong brands, lots of scale, empowering creators, AI-powered content and big cultural moments. And that's really the force that's propelling the business forward in the next few quarters.

Laura Martin - *Needham & Company - Analyst*

Okay. Later today on my stage, I'm going to have a PhD in Economics who just analyzed 3 trillion lines of data. And what he found is that the social and news are actually complementary, but social and streaming are substitutive. But you just closed down your news division and your social sites, which should be complementary. So why didn't news work and why don't you think it hurts your engagement time that you don't now have news on this wonderful social feed, if in direct, his data's right and news is complementary to social?

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

Yes. So in the course of bringing together a bunch of these brands, BuzzFeed and HuffPost and Tasty and Complex, all these different brands bringing together to get synergies and the ability to [offer a] (corrected by company after the call) one-stop shopping to the advertisers and all of that, we ended up with two news divisions. And so we had HuffPost and BuzzFeed news.

And those two news divisions, if you compare them, HuffPost was much stronger and that was because it had a direct audience -- it has a direct audience where people come to the front page of HuffPost to see what's going on. Still has social, still has search traffic still has other things. But that direct audience was very important to the strength of HuffPost.

What we saw with BuzzFeed is that we were doing entertainment content and news content under the BuzzFeed brand. The entertainment content was 10 times bigger. And so, when we looked at that, we were like, okay, we have two news divisions, let's focus our energies on HuffPost, which is the stronger of the two. And then we have a BuzzFeed brand that's between news and entertainment. The entertainment is 10 times bigger; let's focus on the entertainment. And so each brand is really focused on doing what it's strongest that. And so we still are committed to news, but it's --.

Laura Martin - *Needham & Company - Analyst*

Really, HuffPost.

Jonah Peretti - BuzzFeed, Inc. - Chairmen, CEO & Founder

Yeah.

Laura Martin - Needham & Company - Analyst

Well, that makes a lot of sense, like having two platforms doing the same thing. Rather than compete, you just give it to the stronger one. And they're complementary, which means you still benefit from the engagement under the same corporate umbrella. So that makes a ton of sense.

Okay. One of the things no one in this room can see, but this is a picture of one of the slides you put up. And basically what it says is time spent is like 150 million hours for BuzzFeed. And the next closest is like a third the size. So can you talk about why that matters to the business model? Why all that extra time spent? Can you actually monetize all that extra time spent?

Jonah Peretti - BuzzFeed, Inc. - Chairmen, CEO & Founder

Yeah, I mean, having scale and also scale that has voice helps us monetize in two ways. The first is advertising. So when people are spending a lot of time on your content, you can show them ads during that time and more time. Time is more tightly correlated with advertising than other types of engagement because if you're if -- it kind of makes sense if you're if you're watching a TV program, you're watching a show. And there's -- 50% of the time, there's ads you won't watch. So you need a lot of time, so you can put a little bit of advertising interspersed. So time is important for our advertising.

But the voice piece is important for a branded content. And so if we have brands that stand for something, that means something, brands are like okay, we're Lexus. We want to advertise on Complex because it will help elevate our brand or with a certain type of consumer or we are one of the major studios. We have a movie coming out and we want the kind of people who we BuzzFeed to be excited about that movie. And so we're going to make some branded content with them or have our talent come and stop by and make videos with them. So having both voice and scale helps our advertising and content revenue lines.

Laura Martin - Needham & Company - Analyst

Okay. And remind me -- one of the things I don't understand, Jonah and I didn't understand for the commentary, why -- you feel late. This feels like to me because the Snap has been there and YouTube. And TikTok's new, but as the fifth entrant now into the user-generated space, what's your competitive advantage?

Jonah Peretti - BuzzFeed, Inc. - Chairmen, CEO & Founder

Yeah. I mean, we're not in the user-generated space. We're editorial company. And so we're really more of a partner to these other platforms. We make content for Snap. We make content for Facebook, for Instagram. We have some of the biggest social accounts of any company. If you look at Tasty, it's massive on Facebook, massive on Instagram. And so, I think partly the reason we kind of came to market later is that they built the railroad tracks and we're the trains that are on the railroad tracks.

Laura Martin - Needham & Company - Analyst

But didn't -- and maybe I misunderstood this, Jonah, but I thought the whole point of your presentation was this pivot towards creator-first. Creator-first sounds like user-generated content, which is what all those guys do. So did I misunderstand what creator-first means?

Jonah Peretti - BuzzFeed, Inc. - Chairmen, CEO & Founder

I mean, I think that historically, we've made the content with full-time staff and now we are curating and partnering with the best creators and making a model that is, I think, different than what's come before, which is it's not just user-generated content of anyone uploading anything. It's not full-time work at a media company. It's a media company partnering with creators to make really great content across all these different platforms.

But we are -- but as a media company, we are able to vet the content, make sure it's brand safe, make sure it doesn't -- that they're not -- you've read about all the different problems with content on the platforms. We don't have that problem because we curate creators. We pick really good creators. And if they're doing Tasty content with us, we stand behind that content and make sure that it doesn't have all the kind of problematic issues and misinformation or hate speech or things like that.

Laura Martin - Needham & Company - Analyst

But since hit content on the Internet is like 100% of the break-even economics, isn't this really hard for you to make money? Because these guys have so much power, these hit content guys?

Jonah Peretti - BuzzFeed, Inc. - Chairmen, CEO & Founder

You're talking about the creators, or the --

Laura Martin - Needham & Company - Analyst

So if a creator is a hit creator, he can make a lot of money. He doesn't really need you. So isn't it hard for you to get paid by a guy that's already a hit creator.

Jonah Peretti - BuzzFeed, Inc. - Chairmen, CEO & Founder

Yeah, well, one of the problems in the creator space is that when someone becomes a hit creator, brands have real mixed feelings about working with them because part of the appeal of creators is they're ordinary people. And so we do a lot of work with creators that are midsized creators because they have more authenticity and they feel more like a regular person.

And a lot of the reason that the creator marketing works is because brands are able to put their product in the hands of people that seem similar to the audience, you know. And so the huge creators that have their own businesses, like, are less interesting for us.

Laura Martin - Needham & Company - Analyst

Yeah.

Jonah Peretti - BuzzFeed, Inc. - Chairmen, CEO & Founder

But all of these amazing chefs around on the Internet who we are able to partner with for Tasty, for example, they're so much more relatable, but then they benefit from being part of Tasty and having this larger network. So I think you're going to see more of this in the future, which is creators that are mid-size type creators who are working with media companies and brands to do stuff that that is more authentic and still has the scale and the measurability and the performance that you get when you work in a media company.

Laura Martin - *Needham & Company - Analyst*

(multiple speakers) I thought -- oh, sorry, Marcela.

Marcela Martin - *BuzzFeed, Inc. - President*

It's just that we also create a resident program for creators. We have started with Tasty and the results are really good. So we help these creators grow in their path, and we help them create those emotional connections with their audiences. And so you see that, you know, creators that have been in the Tasty Residence, for example, they see two times higher engagement than the regular engagement and that they would have without Tasty attached to them.

So I mean, BuzzFeed has been a home for creators since pretty much the inception, right? We are now connecting in a very different way with creators because obviously, the gig economy has created a different environment; and they want to be independent; and they want to work with us; and they want to work with others as well. And in the past, I would say, we would create a lot of formats that we would hold for ourselves and just use ourselves.

And now, what we are doing is creating all of these tools and formats and we share with them so that we help them enhance their voice. And with the audiences that we have, it's very powerful because we have so much reach and so much voice through big brands, not just the aggregation of very little brands, that I think that for advertisers, it is a very attractive proposition to come to us to create branded content that is led by a creator.

Laura Martin - *Needham & Company - Analyst*

So you brought up my very favorite part of what I learned in the two hours of watching, which was the residency program. But I really want to go to the money because Wall Street's about the money.

Marcela Martin - *BuzzFeed, Inc. - President*

Right.

Laura Martin - *Needham & Company - Analyst*

So before you give them the exposure, these people, these are creators -- little creators that are getting discovered and they put them in a 40-week, almost a whole year residency program, do you actually, like a talent agent, lock them in so that you can capture the economics? Or do you create these stars and then they leave you because they can go get a better deal on their own? I mean, do you actually capture the upside of basically becoming an idol maker?

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

Well, those programs are payoff in that first year because even though they're getting training and benefits, they also are producing tons of content for us. I mean, they learn by producing content. And so both generative AI and creators create more leverage for content production. So the business side of it is being able to make more content with a smaller number of people that reaches more people.

And the residency programs are a great way to have a lot of new talent come in and make a lot of content that can help our network. And then, as you point out, we can also build long-term relationships with the ones that are good. Some of them, we don't want to have a long-term relationship, otherwise, we will invite into our creator program. And the best ones, we can build multi-year relationships with.

Laura Martin - *Needham & Company - Analyst*

Okay. So you're not really capturing the upside with -- if you create The Rock -- the equivalent of The Rock in wrestling, you're not actually creating the upside from that one person out of 100 that actually goes on to become the Bobby Flay of the creator generation. Some of the -- inevitably, in people businesses, there's going to be a big hit. But you don't -- you can't time yourself to their economics, even if you discovered them originally.

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

Does the World Wrestling Federation make money when The Rock does a movie right now?

Laura Martin - *Needham & Company - Analyst*

No, but it makes a lot more people want to do WWE.

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

So we have that same dynamic, yeah. That same dynamic.

Marcela Martin - *BuzzFeed, Inc. - President*

I was going to compare that with his studios. You know, the studios do not own the talent, obviously, but they help bring them up. And that's what our proposition is.

Laura Martin - *Needham & Company - Analyst*

To bring them in and then -- hold on.

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

And we do have long-term relationships with creators who break out. We have a long-term business relationship with the Try Guys, which is creators that started at BuzzFeed.

Laura Martin - *Needham & Company - Analyst*

And the Hot Ones guys who are on.

Marcela Martin - *BuzzFeed, Inc. - President*

Sean Evans, 20 seasons, more than 300 episodes and a very expanded grab monetization proposition that we have because Hot Ones grew not only as the show, but also through partnerships with Walmart for the chicken bites that anybody can buy in the stores. We launched the First We -- no, sorry. I always confuse the name. Eat Your Feast. Eat Your Feast at ComplexCon. It's very hard for my Argentinian/Spanish, so apologies during --.

Laura Martin - *Needham & Company - Analyst*

(laughter) Understandably.

Marcela Martin - BuzzFeed, Inc. - President

It's a food festival that we launch in ComplexCon last year. And so you can see that, you know, just one brand can expand into licensing products, experiential premium sponsorships. And there is plenty of opportunities we have. We are very excited to be in the place where we are, where we help these creators grow and we grow with them as well.

Laura Martin - Needham & Company - Analyst

I really liked the Hot Ones guy because I understood the commerce tie-in because I think all the rage in advertising is this overlap with commerce. So I really like -- so it's cooking, but then they have products to sell and they can go into the physical world, which is where the money is. I don't know if that helps you, but it definitely helps your creators, if they can sell product in the real world in shelves.

Jonah Peretti - BuzzFeed, Inc. - Chairmen, CEO & Founder

Oh yeah. We make -- we're not -- the Hot Ones product is not Sean Evans'. I mean, Sean Evans participates in the success with the company, but it's -- we own Hot Ones. We own the Hot Ones IP. We extended into Walmart and into direct sales of hot sauce and all these other areas. So we definitely --.

Laura Martin - Needham & Company - Analyst

I can totally see the upside of that.

Jonah Peretti - BuzzFeed, Inc. - Chairmen, CEO & Founder

Yeah.

Laura Martin - Needham & Company - Analyst

You know, that bottom of funnel, let's tell it solid bottom of funnel driving. And I like it as a new revenue stream. I think that's what's going to happen next to advertising, is advertising is going to have this anchor to -- like this flanking revenue stream called e-commerce. And if you don't do that, the people that have both will make more money. I don't think advertising by itself.

Stand alone, it's so cyclical and it's so hard to predict, that I think commerce is a really good sort of year-in, year-out annuity stream in a sense, even though it's a physical product.

Okay, let's talk about the strength of your combined brand portfolio. Let's talk about how they work together to make more money.

Jonah Peretti - BuzzFeed, Inc. - Chairmen, CEO & Founder

Sure. So I mean, I can talk about this or Marcela, either of us. But I think when you look at who spends on advertising with us. And with most media companies, it's the big Fortune 500 companies that have huge budgets and they don't want to -- have to transact with dozens of small little subscale companies. They want to have a few companies that they can work with to do all their different advertising, marketing needs. And so by bringing together Complex, which is male skewed, with BuzzFeed, which is female skewed, with some of our brands which are more premium.

Some of our brands are more pop with the scale that we have and the voice. A brand that usually has a portfolio of lots of things. We can talk to a CMO and they can say, oh, I'm going to market this product or this part of my portfolio with Complex, this part with BuzzFeed, this part with HuffPost,

this part with Tasty. So it gives us kind of one-stop shopping, also gives us lots of different products and ways to work, including commerce and advertising and content partnerships.

So it's -- bringing together multiple brands and products and audiences is a good way to be able to work with the biggest advertisers in a more strategic way.

Laura Martin - *Needham & Company - Analyst*

And so one of the things, you're an online brand but is all of your ad sales direct sales force? Or do you guys do programmatic?

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

We have programmatic as well.

Laura Martin - *Needham & Company - Analyst*

So what's the mix? Like is it open programmatic or is it like private marketplace? Sorry to use those words.

Marcela Martin - *BuzzFeed, Inc. - President*

It's both. It's programmatic. It's private marketplaces and open auction as well.

Laura Martin - *Needham & Company - Analyst*

Okay. So what's the percent of direct sales force versus programmatic?

Marcela Martin - *BuzzFeed, Inc. - President*

It's about 60:40.

Laura Martin - *Needham & Company - Analyst*

60% direct? Okay, that's interesting. Is that growing? Is programmatic growing?

Marcela Martin - *BuzzFeed, Inc. - President*

I mean, overall, we have a tough 2023 so far, but we expect that in the future, it will continue to grow.

Laura Martin - *Needham & Company - Analyst*

Do you guys sell out? Do you have 100% fill rates on your ads, no? Do you have excess ad inventory that's going unsold?

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

I mean, programmatic is pretty good at filling inventory.

Laura Martin - *Needham & Company - Analyst*

So you use it as remnant?

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

Yeah.

Laura Martin - *Needham & Company - Analyst*

Okay. Okay, that makes sense. Okay, interesting. So I totally see the benefit of the one-stop shop. I totally get that on that combined brand strength where a guy can come to you -- to your direct sales force and say I want women. And you're like, got it. And I want men, I got it. I want everybody under 25, got it. Like I totally see the benefit of that.

We're an upfront week right now. So I was at the NBC upfront last night, Netflix tomorrow. My question is when you think about transitions in -- from linear TV, are you the beneficiary of any of those dollars coming or most of your ad units on a small device like this? Do you get any benefit from connected television or that's not really where your consumption is?

Marcela Martin - *BuzzFeed, Inc. - President*

We do have some benefits. We, obviously, with BuzzFeed Studios.

Laura Martin - *Needham & Company - Analyst*

Oh that's true. You did show up content. That's true.

Marcela Martin - *BuzzFeed, Inc. - President*

Yes, yes, which is another interesting proposition that we have because we are able to offer great deal of production value to partners, combined with a great marketing machine because of the audiences that we reach. And we have launched their some fast channels. And from an overall perspective on BuzzFeed Studios is working really well. We have partnerships with Lionsgate, for example. You can see our movies in most of the major platforms -- streaming platforms.

Laura Martin - *Needham & Company - Analyst*

Didn't you say you had a Netflix deal? I remember it in my --.

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

Yeah, we worked with all the major platforms.

Marcela Martin - *BuzzFeed, Inc. - President*

Amazon, as well.

Laura Martin - *Needham & Company - Analyst*

And those are all CTV. Yeah, that's fascinating.

Marcela Martin - *BuzzFeed, Inc. - President*

Yeah.

Laura Martin - *Needham & Company - Analyst*

It's good to be on all devices these days, I think. To your point about the unconsolidated brands and other ideas, consolidated devices where you can sell a campaign across all devices.

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

Yeah, and BuzzFeed has always been an endemic advertising partner for promoting TV film, movies, streaming and so we have a built-in promotion engine. So if we make a show with our studio, regardless of where it is streaming, we can promote it.

Laura Martin - *Needham & Company - Analyst*

You can promote it.

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

So it's part of the appeal of our studio is that a BuzzFeed film can be promoted across BuzzFeed.

Laura Martin - *Needham & Company - Analyst*

Yeah, I didn't know. I was surprised by that, actually, that you guys are in the premium content creation, long-form business. That surprised me. That was my biggest surprise.

Marcela Martin - *BuzzFeed, Inc. - President*

Yeah, it's really -- it's a good model and we really have a good team. We have produced a few movies under data-driven approach that BuzzFeed has allowed us to have more predictable success, which in the production business, is really, really difficult.

QUESTIONS AND ANSWERS

Laura Martin - *Needham & Company - Analyst*

I'm going to go to questions. Does anybody have a question for BuzzFeed? Yeah? Okay. I'm going to keep going then. So one of the things NBC asserted onstage yesterday was that advertisers, and I'm going to ask you rebut, advertisers do not view premium content like what NBC makes across Peacock and the NBC Broadcast Network with, let me just call it user-generated content, even if it's curated, that they don't -- not only is it

brand unsafe, you sort of -- for your business, you would say, Laura, we are brand safe because we curate, but they would say it's just not high quality context for ads.

So please rebut or agree with NBC, but I'd be shocked if you agree with NBC.

Jonah Peretti - BuzzFeed, Inc. - Chairmen, CEO & Founder

I mean, I agree to a point because I think that there are real challenges with user-generated content on the platforms. Because when I think of user-generated content, I don't think of professional creators whose life is making content. I think of all the people who -- when they have some time going to rant online and get in fights with people and argue about stuff and share their like, weird.

Laura Martin - Needham & Company - Analyst

Share their dog.

Jonah Peretti - BuzzFeed, Inc. - Chairmen, CEO & Founder

Share their weird theories about like, politics and race and things like that. I mean, there's always kind of content on these platforms and like if you're an advertiser, it is a little strange that you might be putting your ad next to that kind of content or misinformation, conspiracy theories.

I mean, it's like you can go on to any of the major platforms and you can see both real and ironic, you know, flat earthers arguing, you know, or even stuff where there's maybe a legitimate debate. But do you really want to have your brand next to some very core.

Laura Martin - Needham & Company - Analyst

Yeah, the Ukraine war, where people are dying. It is actually news. It's factual. You don't want your ad there.

Jonah Peretti - BuzzFeed, Inc. - Chairmen, CEO & Founder

Yeah, abortion or topics like that, where, okay, even if it is all good faith debate and it's legitimate debate. Sometimes, it's not. A lot of times, there's a lot of stuff mix in there that does not, do you want your ad there? So I think I would agree with NBC in the sense that we stand behind our content. We make content with really great professionals. We're making digital content and short-form content. So it's different than making a television show or something like NBC.

But I think for young people, they don't have that much of a difference in perception between, you know, whether they're spending their time watching something on streaming or on TikTok or on BuzzFeed or on short form or long form. But there is a difference between this is a random people ramping and this is professional content.

And we make content that is brand safe and that advertisers know they can transact with us to put their content out there. That's true of NBC, that's true of BuzzFeed Inc. That's not true of just doing a blind programmatic buy or buying on one of the options of one of the big platforms. You might be on content about an ISIS recruitment video or something.

And so that's a big difference. And so I think manage marketplaces, highly curated content creators who are real professionals and brands that mean something to consumers saying you're advertising on BuzzFeed, on Tasty, on HuffPost, on Complex. It hurts us if we put out content that is misinformation or problems like that. So, you know we have a both an incentive as part of our mission to put out good content. And so you can advertise against that and know that you are going to be in a good context.

Laura Martin - *Needham & Company - Analyst*

I remember when then when Scripps Networks was public, every other cable network had 50% advertising, 50% subscription revenue from Comcast and stuff. But Scripps specifically went into business where there are a lot of endemic advertisers. So like the Food Network, they were 70% advertising for Home and Garden because they specifically went into genres that had a lot of endemic advertisers that wanted to reach those audiences.

Has that been Tasty, for sure, would fit that mold, where they would have a lot of endemic advertisers sort of buying in the auction to try to get on to that kind of content. Is that sort of how you organize your content verticals where there's a lot of inherent endemic advertisers that want to reach those that targeted audience? That those content silos are speaking to?

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

I mean, we didn't set out to build a portfolio of brands with endemic advertisers. I know some companies have taken that approach and it's a tried-and-true approach like Time Inc and some of the early magazine groups. We do see some benefits of endemic advertising-like entertainment for BuzzFeed and fashion, music, sneakers for Complex and food for Tasty.

But a lot of advertisers, like if you look at our show, Sneaker Shopping, which is a hit show, it doesn't -- most of the advertising is not sneakers. It's like a new movie's coming out and people partner with us often for cultural relevance and awareness and things like that, not just -- and so you might be a car company that advertises against sneaker show, but that's because you're positioning your car as something for a particular demographic, particular style, particular life.

Laura Martin - *Needham & Company - Analyst*

So is one of the goals, Jonah, to take that 60% of direct sales to 70% to 80% to 90%? And use programmatic less to just do the tail, to do the fill -- to get the fill rate back up towards a 90%?

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

Yeah, we would like to do that where it makes sense. There are some cases where there might be international markets where we don't have a sales team and other things. So like programmatic is nice because it can fill in in certain areas where we might not have coverage. But overall, we want to maximize the yield on all of our inventory as best as we can. And sometimes direct -- selling more direct is one way to do that.

Laura Martin - *Needham & Company - Analyst*

CPMs, your programmatic piece versus your direct sales piece, what's the CPM? Its costs per thousand difference?

Marcela Martin - *BuzzFeed, Inc. - President*

Oh, yeah. Of course, it's different. It's very different because typically, the open auction and private marketplaces have lower right versus direct sales and particularly on the branded content sales part, right?

Laura Martin - *Needham & Company - Analyst*

Is that \$20 versus \$10? Is it \$10 versus \$5?

Marcela Martin - BuzzFeed, Inc. - President

It's hard to say because it fluctuates and it's very different depending on the private -- on the marketplace. But it is -- we would prefer to have a lot more direct sales plan than --.

So it's like 2x? Two times as much for direct? Okay. That makes sense to me. I mean, otherwise fire your sales force, I mean, if it's not a lot higher then you shouldn't be paying people sales.

Jonah Peretti - BuzzFeed, Inc. - Chairmen, CEO & Founder

Well, yeah, it can be a lot higher, but also sometimes it is like what I mentioned before that it maybe the programmatic is filling for a less valuable audience.

Laura Martin - Needham & Company - Analyst

The direct sales can't sell?

Jonah Peretti - BuzzFeed, Inc. - Chairmen, CEO & Founder

Yeah.

Laura Martin - Needham & Company - Analyst

Yes, so it's at least getting some money for it.

Jonah Peretti - BuzzFeed, Inc. - Chairmen, CEO & Founder

Yes. So it might be -- it's not just that programmatic is lower rates, which is true, but it also might be these are people who are located in some other market that are consuming our content, but are not in the US or something like that.

Laura Martin - Needham & Company - Analyst

Has the signal loss affected you from the IDFA changes over at Apple? Did that affect your ability to get price and target audiences?

Jonah Peretti - BuzzFeed, Inc. - Chairmen, CEO & Founder

It's hard to say, I would say less of an issue for us than some of these platforms that had a big reliance on direct response ads that were really tied to that kind of targeting. Because we had a lot of big Fortune 500 companies focusing on cultural relevance and things like that. And because we had a lot of contextual alignment on our ads, there was less impact. But it's hard to know what does a programmatic marketplace buyers are buying against. And so maybe, there's some impact there that's indirect.

Laura Martin - Needham & Company - Analyst

So you're not worried that cookies deprecation?

Jonah Peretti - BuzzFeed, Inc. - Chairmen, CEO & Founder

It's not like an existential thing for us.

Laura Martin - Needham & Company - Analyst

Okay.

Marcela Martin - BuzzFeed, Inc. - President

No.

Laura Martin - Needham & Company - Analyst

Okay. In theory, cookies are going away in the second half of '24. My opinion is it will never go away, but they keep pushing it down the line and in theory, it's coming in the second half of '24, which is a year from now.

And other questions before I ask my last one so that we can stay on time? Any other questions? Okay, great. So let's talk about generative AI. Let's talk about generative AI. You guys brought it up a bunch of times in your investor meeting. And I want to make a very clear distinction between normal AI, which is recommendation engine and generative AI.

So tell me, look in order to sort of make that distinction really poignant, talk about what you've been doing with AI to now. And then what will be different when you use in corporate generative AI. And what I mean is exactly what ChatGPT is and the next. How is your business going to be impacted by that transition?

Jonah Peretti - BuzzFeed, Inc. - Chairmen, CEO & Founder

Yes. So what's exciting about generative AI is that it allows for this new kind of collaboration between our editorial teams, our audience and then the AI. So with a traditional BuzzFeed quiz, one of the kind of core things, especially for young people on the Internet.

Our writer would write the quiz and write a few questions. The user takes the -- answers the questions. And then, we have a simple little engine that would give one of 12 different responses. And the writer would have to write all the different 12 responses.

With our new AI-powered quizzes, the writer still writes the quiz questions, and the user still takes the quiz, but then that goes into a generative AI engine. And it can generate an infinite number of quiz responses that are perfectly tailored to the quiz taker. And so it might be like the classic BuzzFeed quiz of like, which Disney princess are you? And people answer it and then you write all the different responses with a new generative AI.

It's like put yourself in a Disney movie, and you answer questions. And then that response is, you know, one of your friends is playing this character, another one's playing that character and it can generate something that is like perfectly unique to you, including your obscure interest and things like that.

And so what we found is that those quizzes that are powered by generative AI, where it's producing really personalized content, are just more engaging. The sentiment in the comments are more positive like people are like, wow, this is really cool.

The advertisers and marketers and partners are all interested in this space. And so like, we made one of these AI quizzes with Scotts Miracle-Gro, where you and answer questions and it gives you the perfect plant for you. And so, it can incorporate your personality.

So you can basically answer all your questions about your (multiple speakers). It just takes it from a level of a cookie-cutter response to a level of this plant perfectly represents -- oh, time's up.

Laura Martin - *Needham & Company - Analyst*

Yeah, exactly.

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

Get in the hook.

Laura Martin - *Needham & Company - Analyst*

So how do you make money with that? Get how it's a better consumer experience that is very cool. How do you make money? How -- why does BuzzFeed care about being able to do that? How do you make more money?

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

Well, so in the Scott's example, they pay us to partner because they want to reach our audience and they want to use the technology that we've developed. And they want to promote and market their products.

Laura Martin - *Needham & Company - Analyst*

And do you have a buy now? Like if somebody says I want that plant like, can you do buy now and tie it into commerce?

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

I think that that's where some of this is heading. So shopping bots, like we have a big BuzzFeed commerce section and being able to look at all of the content that we publish from our editors and then turn that into a more interactive format, whether it's a quiz or whether it's a bot or a chat bot or something like that where you can then transact branded content with advertisers.

And then also just more engaging content means more time means more consumption of ads. And so generally, I basically like, takes all of the stuff that we've been doing for years and we can use all of that to train and improve and inform the AI format. And then allows us to do all of those -- all of that kind of content in a way that's more personalized, more interactive in the (multiple speakers).

Laura Martin - *Needham & Company - Analyst*

And more automated. (multiple speakers)

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

And each human can generate way more content instead of writing 12 quiz responses, they were at one paragraph prompt. And the AI writes all the quiz responses.

Laura Martin - *Needham & Company* - Analyst

That's super cool. Okay. I'm going to call it there, since my phone is insisting. Thank you very much, everybody.

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