

Bumble (BMBL) Q4 2023 Earnings Call Transcript

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BMBL earnings call for the period ending December 31, 2023.

Bumble (BMBL -1.55%)

Q4 2023 Earnings Call

Feb 27, 2024, 4:30 p.m. ET

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Prepared Remarks:

Operator

Hello, and welcome to the Bumble fourth quarter 2023 financial results conference call. My name is Elliot, and I will be coordinating your call today. [Operator instructions] I would now like to hand over to Cherryl Valenzuela, vice president of investor relations. The floor is yours.

Please go ahead.

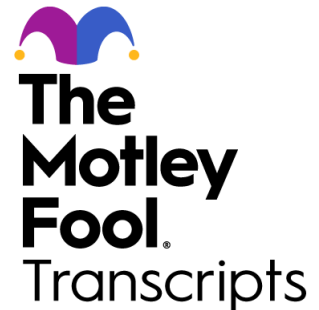


IMAGE SOURCE: THE MOTLEY FOOL.

Thank you, Elliot. Thank you for joining us to discuss Bumble's fourth quarter and full year 2023 financial results. With me today are Lidiene Jones, CEO; and Anu Subramanian, CFO of Bumble. Before we begin, I'd like to remind everyone that certain statements made on this call today are forward-looking statements.

These forward-looking statements are subject to various risks and uncertainties and reflect our current expectations based on our beliefs, assumptions, and information currently available to us. Although we believe these expectations are reasonable, we undertake no obligation to revise any statement to reflect changes that occur after this call. Descriptions of factors and risks that could cause actual results to differ materially from these forward-looking statements are discussed in more detail in our earnings press release and filings with the SEC, including our annual report on Form 10-K for the year ended December 31, 2022, and our subsequent periodic filings. During the call, we also refer to certain non-GAAP financial measures.

These non-GAAP measures should be considered in addition to and not as a substitute for or in isolation from our GAAP results. Reconciliations to the most comparable GAAP measures are available in today's earnings press release, which is available on the Investor Relations section of our website at ir.bumble.com. And with that, I'll turn it over to Lidiene.

Lidiene Jones – *Chief Executive Officer*

Thank you, Cheryl, and good afternoon, everyone. It's an honor to join all of you today for my first earnings call as Bumble CEO. I want to sincerely thank Whitney for her continued partnership. She's a founder who is a pioneer for women who has built an incredible company that has created lasting value for customers.

I also want to thank the board for their confidence and trust in me and the entire Bumble team for their support during my onboarding. From the first time I met Whitney and proceeded to meet our employees and many of our customers, the impact Bumble has had on so many people's lives have been inspiring to me. As a longtime tech leader for both consumer and enterprise businesses, I joined Bumble because I felt deeply drawn to its mission to create healthy and equitable relationships. And by the impact Bumble had in helping millions of people around the world find love, connection, companionship, and friendship.

Since its founding, Bumble's powerful brands have, in aggregate, served a passionate customer base of hundreds of millions of customers in more than 160 countries around the world. I have now been with Bumble for two months, and I'm even more convinced of the opportunities that lie ahead of us. I have met and connected with dozens of our customers, fully immersed myself in our products and technology, dove deeply in all aspects of our business, and have seen firsthand the caliber of talent we have with our employees. I'm a product leader at heart, and I'm truly excited to help unlock the company's potential by building innovative products that lead our customers to find love and connection throughout their lives.

The global addressable market for online dating remains strong with about 2 billion single people around the globe, and we see continued demand and opportunities to drive growth in this market. We're well-positioned to capture this opportunity with the strong brands and assets in our portfolio. At the same time, I took this role knowing that the online dating industry hasn't seen true innovation in several years, and the population of active users is undergoing a generational transition that rightfully expect to from their experiences. We're not immune to these dynamics, and we have also had some company-specific execution challenges that disproportionately affect a Bumble App and have impacted our company's near-term outlook reflected in today's guidance.

We're taking significant and decisive actions to address these issues. Over the past 18 months, we launched a number of new features in Bumble App, which, while individually promising, have an aggregate flow to the overall outperformance and cluttered the user experience. Additionally, our new pricing tier introduced last December Premium Plus has also not had a clear enough product-market fit. These are things we strongly believe are in our control to solve, and we're doing so with four major steps.

toward capturing a broader audience and aimed at having a stronger appeal to younger users, easing the profile creation experience, optimizing the core performance of the app, and strengthening our AI capabilities to enhance fake account detections and bring profile picture insights to lead our customers to success faster. As a part of this release, we will also revamp our Premium Plus offering. These efforts will be a significant moment of evolution for us in bringing women's empowerment to the core of our experience. This relaunch will also provide us with a strong platform for ongoing innovation.

It will come with a new marketing campaign across our core markets, extending our reach and showcasing the benefits of our offerings. This is the first major overhaul of Bumble App in the past two years, and I'm very proud of our team for embracing a faster pace of innovation and marking the start of a new phase of customer experiences in the online dating category. Second, I recognize that to sustainably reaccelerate growth, we must drive further innovation, be operationally excellent, and be more attuned to our customers' needs. To that end, earlier today, we announced a transformation plan that will return it to a functional operating model that will foster better collaboration across our apps and allow us to deliver a comprehensive portfolio of experiences to our customers.

Centralize our mission-critical teams, including engineering product in fewer locations, remove layers to accelerate decision-making and speed to market, and eliminate duplicate roles to drive stronger operating leverage. Reducing the size of our team is an extremely difficult decision, and I'm incredibly grateful to all of our employees for the role they played in getting Bumble to where it is today. We will do all that we can to support affected colleagues during this time. Rightsizing the company will help us unlock our ability to deliver long-term growth by greatly improving our operational efficiency, agility, and speed and enable us to reinvest a portion of our expected savings in critical foundational capabilities, including being innovation with AI, machine learning and safety differentiated experiences that will drive our future.

We'll remain laser-focused on execution during this time of transition. Third, we are updating our Bumble Inc. strategy and innovation road map to take advantage of our more agile development platform. My vision for Bumble is to lead the online dating industry and connections at large with a more positive experience for users around the globe.

As a technologist, I have been really impressed by the unique data set, knowledge, and intellectual property Bumble has related to personalization, matching, and safety that have been deeply tuned to Bumble's guidelines. We will lean on this technical foundation in emerging technologies like generative AI to bring product innovations to meet the demand we see in the market. We'll do this while staying true to our mission and focus our innovation to accelerate human connection and encourage equitable and healthy relationships. Bumble has always been about more than dating, and we have seen significant customer demand for friendship and photonic connections throughout different phases of life.

But candidly, we have been slow to realize this broader vision with Bundle BFF thus far. Going forward, we will focus our reinvestment to accelerate a bolder strategy from Bumble for Friends, one that will focus on building equitable and safe friendships across communities of people with similar interests that want real-life connections. We plan to bring along the millions of customers we currently have in our base that are eager to continue to be part of our platform. We'll have more to share about our full company strategy and product road map in the months ahead.

Finally, to bring our strategy to life, we recently strengthened our executive team with three talented new leaders who'll be instrumental in driving the vision for Bumble's future. I'm excited to welcome Ali Rayl as chief product officer, Antoine Leblond as chief technology officer, and David Ard as chief people officer. Ali most recently served as senior vice president of product at Slack, overseen Slack's customer experience and communication platform, along with user safety and customer support. As a member of Slack's founding team, Ali's experience overseeing viral user growth will be invaluable to Bumble.

Microsoft prior to that, driving platform growth at scale across several businesses. His experience innovating and scaling effectively will be paramount. David joins us from Salesforce, where he served as head of employee success, leading the people's strategy, business partner teams, and benefit across global teams, and previously served in people leadership roles at Equinox and Gap. Finally, I am thrilled to announce that Selby Drummond has been promoted to chief marketing officer for Bumble Inc.

Selby will oversee both brand and marketing, bringing her extensive experience from companies such as Snap and Vogue to optimize the performance of marketing investments and expand the reach of our brands globally. With Ali, Antoine, David, and Selby leading critical functions of our business, along with existing executive leaders who have the context of the company and the industry, we are well-equipped to drive breakthrough innovation and drive our business back to strong growth. Given the strength of our financial position today and as we update our broader strategic plan in the coming months, we will also be evaluating the best use of capital for Bumble to drive value creation and long-term growth of our business. The steps we're taking today set the stage for our next chapter of growth.

We have work to do, but you have my full commitment that will innovate and sharpen our focus on execution to create a durable foundation for our business. I look forward to meeting our stakeholders to better understand their needs in the weeks and months ahead and will be open and transparent in communicating progress on our strategy as we move forward. But before I turn it to Anu, I want to express that I'm tremendously honored to be leading this talented and passionate Bumble team in the pursuit of Bumble's founding mission with our renewed vision and focus. We have an exciting journey ahead of us, and I am thrilled to be leading our team to realize the incredible opportunity ahead on behalf of our customers, our employees, and our shareholders.

And with that, I'll turn it over to Anu, who has been a close partner since the start.

Anu Subramanian – *Chief Financial Officer*

Thank you, Lidiane. A warm welcome again to Bumble, and I look forward to our continued partnership. And good afternoon, everyone. I'll walk you through our Q4 and full year 2023 results and then share more about our outlook for the first quarter and full year 2024.

Unless stated otherwise, all comparisons are on a year-over-year basis. Total Bumble Inc. revenue in Q4 increased 13% to \$274 million, in line with our outlook. Revenue was driven by a 16% increase in paying users with contributions from both Bumble and Badoo Apps.

The growth in paying users was offset by a 2% decrease in ARPPU. Revenue from Bumble App increased 16% to \$221 million. Bumble App game users increased 21% to 2.7 million, and we added 83,000 paying users sequentially. The increase in paying users was driven by a combination of growth in active users as well as payer penetration.

Bumble App's ARPPU declined 4% to \$27.37 primarily due to geographic mix shift. With any of our top individual markets, we achieved our people growth as a result of pricing optimizations and higher consumable mix. Badoo App and Other revenue was \$53 million, up 4%. We continue to make meaningful Badoo stabilization and return to growth, driven by a well-received brand refresh and update of the app's user experience.

We are encouraged by the continued traction we are seeing in the business. Badoo App and Other paying users grew 8% to 1.3 million, up 66,000 sequentially. Starting in Q4 2023, we've begun including contributions from Fruitz in Badoo App and other key operating metrics of paying users and ARPPU. Excluding Fruitz, game users increased 19,000 from Q3 to Q4 2023.

Badoo App and Other ARPPU grew 2% to \$12.69. Excluding Fruitz, ARPPU declined 1% year over year. Turning now to expenses. We continue to spend with discipline driving consistent leverage in line with our targets for the year while investing in our apps and

Total GAAP costs and expenses were \$280 million for the quarter. And on a non-GAAP basis, excluding stock-based compensation and other noncash or nonrecurring items, total costs and expenses were up 10% to \$200 million. Cost of revenue was \$79 million and grew 19%. As a percentage of revenue, cost of revenue was 29% versus 28% in the year-ago period.

Sales and marketing expenses grew 8% to \$70 million. This represents 26% of revenue versus 27% in the year-ago period. G&A expenses were \$30 million or 11% of revenue compared to \$32 million or 13% of revenue last year. Product development expenses were \$21 million or 8% of revenue versus \$18 million or 8% in the year-ago period.

Q4 GAAP net loss was \$32 million compared to a loss of \$159 million in the year-ago period. As a reminder, last year's Q4 included an impairment charge of \$141 million related to Badoo brand. Q4 adjusted EBITDA was \$74 million, representing a margin of 27%, consistent with our outlook. For full year 2023, total Bumble Inc.

revenue grew 16% year over year to \$1.052 billion, in line with our guidance. Revenue from Bumble App grew 22% to \$845 million as paying users grew 26% to 2.5 million. We grew paying users by more than 500,000 for a second consecutive year. Our GAAP net loss for full year 2023 was \$2 million compared to a net loss of \$114 million in 2022.

Adjusted EBITDA was \$276 million, representing 26% margin, up 110 basis points. Our strong operating results and disciplined spending also enabled us to deliver a 43% increase in free cash flow to \$167 million in 2023, further strengthening our balance sheet. We ended the year with \$356 million in cash and cash equivalents. During the fourth quarter, we repurchased \$136 million worth of shares under our current stock repurchase authorization, including \$100 million worth of shares repurchased directly from Blackstone.

At the end of Q4, we had \$143 million remaining in our authorization. And as of today's call, we have \$123 million left. We remain very committed to our buyback program. Now, moving on to our outlook for 2024.

As Lidiane just mentioned, we are adjusting our 2024 revenue outlook to reflect Bumble App's slower-than-expected start to the year and app-specific execution challenges. We feel confident that these issues are within our control, and we are actively working to resolve them. We expect that the Q2 relaunch of Bumble App, along with the launch of other key features on our product road map, will reaccelerate growth in the second half of 2024. As a result, for full year 2024, we estimate total Bumble Inc.

revenue growth rate of 8% to 11%. This assumes FX will be approximately a one-point headwind during the year. We expect Bumble App revenue to grow between 9% to 11% year over year. Our Bumble App revenue outlook includes expectations for full-year net adds of approximately 350,000 to 400,000.

On the cost side, the bold actions we announced today around our workforce transformation allow us to gain significant operating leverage and put us on a strong path toward our goal to continue expanding margins. We estimate future annualized opex savings from this workforce reduction to be approximately \$55 million, of which we expect to selectively reinvest approximately \$15 million in areas of product engineering, safety, and brands that will help drive long-term growth. As a result, for 2024, we expect at least 300 basis points of year-over-year adjusted EBITDA margin expansion. In 2024, we expect to incur approximately \$20 million to \$25 million of severance and other related charges, primarily in the first half related to this transformation, and our adjusted EBITDA outlook excludes the impact of these charges.

For Q1, we expect total revenue between \$262 million and \$268 million, representing a growth rate between 8% to 10%. We expect Bumble App revenue to be between \$211 million and \$215 million, representing a growth rate between 9% and 11%. Our Bumble App revenue outlook includes expectations for sequential net adds of approximately 30,000 to 40,000 in Q1. We estimate adjusted EBITDA will be between \$67 million and \$70 million, representing 26% margin at the midpoint of the range.

rightsize our team, and attract new leadership. We believe that the actions we are taking will accelerate our realization of the tremendous opportunity that exists in the global online dating market and beyond. The power of our brands, user affinity, and our guiding mission provide us with a very strong foundation to build upon, and we are confident that the execution of the plans we shared with you today will enable us to achieve long-term profitable growth while driving significant value for our shareholders for many years to come. And with that, I'll turn it over to the operator for Q&A.

Thank you.

Questions & Answers:

Operator

Thank you. [Operator instructions] Our first question comes from Alexandra Steiger with Goldman Sachs. Your line is open. Please go ahead.

Alexandra Steiger – *Goldman Sachs – Analyst*

Great. Thank you so much for taking my question. Maybe one for Lidiane and one for Anu. So, first of all, thank you for laying out your priorities for the company.

But coming in from the outside, where do you see the biggest opportunity for Bumble over the next few months, either in terms of unlocking additional user growth or driving our people? And what do you think is the most underappreciated by the investor community? And then one follow-up for Anu on the '24 guidance. So, I do want to ask about your updated '24 guide and some of the assumptions that went into it now that Q1 is calling for a more pronounced deceleration in growth. So, could you maybe talk about what are you seeing in the business today that is informing your view? And in that context, could you also elaborate a little bit more on like the execution challenges you referenced in your prepared remarks? Thank you.

Lidiane Jones – *Chief Executive Officer*

Thank you, Alex, for the question. I am just thrilled to be here and honored to leading this organization. I came to Bumble because I saw a tremendous opportunity looking at the company overall. As you've heard from my prepared remarks, the company has reached about 200 million or beyond users globally over time.

This is an incredible base. And we have a brand that over the course of the 10 years continues to be strong. In fact, it is the best brand in that favorability among large online dating apps. I see a tremendous opportunity ahead.

But what I came here – the reason why I came here is because I saw a lot of opportunity to innovate across our portfolio. So, as you heard us share, we are going to relaunch in the near term in Q2 Bumble App. And this relaunch represents one of the largest revamps of the app over the course of the last two years. And what we want to do here is completely modernize the experience to speak to a broader audience.

We believe there's a lot of opportunity to create a more human, more connected experience that will help dating be a desirable experience for users again. And that's what I'm thrilled to be investing our resources and seeing the team take this new piece of innovation to get this product out for our customers. So, that's from a near-term perspective. In addition to that, we see a tremendous amount of opportunity to continue to invest in international markets.

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we're seeing really strong growth, we're going to continue to invest in that. Long term, I think there's a lot of opportunity for innovation in the category itself. I haven't seen such a tremendous disconnect between a huge demand and a lack of innovation. I think that is our biggest opportunity ahead.

And when I think about what investors should be thinking about is that we have a phenomenal following of customers. Over the last couple of months, I've had the opportunity to meet dozens of customers. And many of them will tell me stories about how much they have been impacted by Bumble. I met Bumble Grandma last week.

So, people carry the brand in different parts of their lives. We are going to double down on the fact that we have a strong affinity to our brand. This is part of what I really want us to continue to invest in things like Bumble for Friends where we can bring our base with us with a differentiated set of experiences. So, I hope our investors are deeply excited about us realizing the potential that we see.

But I'll pass it to Anu for the second part of the question.

Anu Subramanian – *Chief Financial Officer*

Sure. Thanks, Lidiene. Alex, so maybe I'll just break down the guidance a little bit, starting with Bumble App and what has changed for us from our prior guidance. So, while our top of the funnel has remained strong in many of our global markets, we are seeing a slower-than-expected start to the year, primarily in the U.S.

than the usual Q1 seasonal rebound that we normally expect to see has been less pronounced than in the past. Second, as Lidiene said in her prepared remarks, some of the newer products such as Premium Plus, which we launched at the end of December, while they have been revenue-positive, they are not showing the incremental uplift that we would like to see and that we had originally anticipated. And so, for these reasons, we are adjusting our revenue outlook for Bumble App to be 9% to 11% for the full year. And as you've heard today, we are taking immediate and swift action to make the changes that we need to make to the product road map.

And with the planned relaunch of the app in Q2, which will be accompanied by the marketing campaign, we expect that our revenue will accelerate in the second half post this launch. And then we have a slew of other features that we are excited about on the product road map that we will then proceed to launch within the second half of the year. So, hopefully, that gives you a flavor for how we're thinking about Bumble App for the rest of the year.

Alexandra Steiger – *Goldman Sachs – Analyst*

Very helpful. Thank you.

Operator

We now turn to Andrew Marok with Raymond James. Your line is open. Please go ahead.

Andrew Marok – *Raymond James – Analyst*

Hi. Thank you for taking our questions. So, when you talk about the Bumble App relaunch appealing to a broader set of users, I guess, could you elaborate on that a little bit? Are there different cohorts of users either by age or market or some other segmentation that the current version has weakened with that you can shore it up? Or is that maybe net new audience segments?

Lidiene Jones – *Chief Executive Officer*

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of the best parts of joining Bumble starting deeply into our product innovation. We believe that there is an opportunity for us we see completely modern experience to continue to serve the set of customers that are part of our customer base today and are very excited about what we already deliver, but also that we can be more approachable to a set of users that are younger.

And that means a completely different tone of voice, different profile creation, different kind of illustration, a brand refresh overall. This is going to allow us to expand that reach, especially in markets like the U.S. market, where we have seen a little bit more headwind. In addition to that, there are other things that I think are going to be really important for us.

This release is really going to be very focused to the core of what our mission has been all about, which is putting up the forefront of our experiences, the women's experiences, and safety. So, we are really optimizing for ensuring that we have high-quality profile creation, a very easy-to-use process for that profile creation, additional set of safety capabilities that's going to help our customers be more successful. We believe these sort of things are going to bring a more balanced set of customers across different segments in different markets. And so, we're really, really excited about that.

This is more about expansion and reigniting our own core, which we think will drive growth for us.

Andrew Marok -- *Raymond James -- Analyst*

Great. Thank you. And maybe related a little bit, I mean, you hear anecdotal reports about younger users maybe being a little bit more hesitant or discouraged to engage with and then pay for online dating services. So, I think you spoke a little bit about your top-of-funnel still being strong and a lot of the changes that you've outlined for the Bumble App relaunch.

But I guess are there any points where you would directly be able to push back against those narratives that you hear? Thank you.

Lidiane Jones -- *Chief Executive Officer*

Yeah. No, it's a great point. I certainly have heard that as well as I've come into the market. And I think there is a generational transition that we are seeing, and we have to be really thoughtful about how we bring our customers along our journey because we have a lot of users today that love the paradigm of the online dating, swiping, and discovery and searching, but there is also a set of users that want more flexibility to be able to experience and discover people in a more organic and natural way.

Our goal is to set this Q2 launch as just the start of an ongoing innovation for our users. And we want to really be focused on listening and evolving the experiences based on what our users, especially younger users are telling. So, you can expect a set of personalization and flexibility over time based on what we do learn from our users. We think there is an opportunity to approach younger users differently to meet the need of more organic discovery of friendship, companionship, love, and beyond.

So, I am really -- I think that's one of the most exciting parts of being a great product. Person is that you get to navigate the different experiences and flexibility is going to be a really big part of how we believe the category and certainly our own product development will be following.

Operator

Our next question comes from Cory Carpenter with JPMorgan. Your line is open. Please go ahead.

Cory Carpenter -- *JPMorgan Chase and Company -- Analyst*

Hey, good afternoon. You mentioned earlier in the call the 1Q seasonal rebound being less pronounced in the U.S. than in the past. Curious what you think is driving that.

Premium Plus. But curious what you're seeing with some of your other recent product launches by Compliments, Best Bees in the lower-priced tier, and the role those could play in the brand refresh or the app refresh. Thank you.

Lidiane Jones -- *Chief Executive Officer*

Thank you, Cory. Certainly, if -- you've all seen download data and payer user data for the industry. And there has been a pattern of slowdown over time. For us specifically, as you heard from both Anu and I, we have had some internal execution challenges that have not really delivered a cohesive set of experiences that we want to deliver, but we have seen pockets of really great positive success.

Compliments is a really great one of them. So, what we're doing now with this relaunch is really looking end-to-end from the experience. What pieces of product experiences have we launched that have added benefit for users that we want to not only keep but also enhance and which ones we think are not necessarily adding value? Best Bees is a great example experience that really is tailored for users, but we've seen some mixed results. So, we think there is a great opportunity there, but we want to enhance the overall AI set of capabilities that drive that portion of our experience.

So, our release now is going to be aimed at addressing a lot of these execution challenges so that, as a whole, the experience will feel very cohesive for our customers. You did touch on the tiering, and let me unpack that a tiny bit. From a Premium Plus perspective, we absolutely believe in subscription tiers. Different customers want to have different set of experiences and it provides a strong monetization strategy for us.

So, we -- that model is certainly one that we want to maintain. What we have found is our Premium Plus tested really well in its early days. But as we expanded to a broader audience, we didn't see a sustainability of that particular tier with a lot of our users. And what we have found is that there wasn't enough differentiation from one tier to the other.

There is still a lot of demand and not enough differentiation to keep our users there. So, what we are focused on with this launch and will be evolving beyond the initial launch is creating a very differentiation so that we drive more users toward higher-end tiers with the value that they will feel good about so that we can sustain those users there. The base tier what we have found is that we -- the addition of that base tier was adding more hurdles for our users adoption of the larger tiers or the higher-end tiers that we put a pause on the Bees here for now. Our goal is to simplify the set of experiences so that we get the most value and the highest ARPPU for the users that are coming into a Bumble in this launch, and then we'll revisit that base tier as we get Bumble App out and we get some feedback from the set of experience will launch.

So, lots going on, but very, very excited about this launch.

Operator

Let me now turn to Shweta Khajuria with Evercore ISI. Your line is open. Please go ahead.

Shweta Khajuria -- *Evercore ISI -- Analyst*

Thank you for taking my questions. Lidiane, one for you. Where do you see the lowest hanging fruit on innovation on the product as you think about across the platform? And then for Anu, could you please help us with marketing spend, how you're thinking through the year from Q1 to Q4 as you think about the product launches coming in the back half? Thanks a lot.

Lidiane Jones -- *Chief Executive Officer*

Great to meet you. Thank you for the questions. In terms of low-hanging fruit, what we're going to do most immediately with our April launch is reducing points of friction. One of the things that I certainly saw is that we did have a lot of capabilities that was adding just

So, this is one of the reasons why we're doing a full revamp of the experience so that we can really feel what that experience is like for users end-to-end so that we're going to draft right away. But let me tell you what I think is one of the most exciting things that I've seen since I got here. I've been in product forever. I'm coming from many years of consumer and enterprise background.

And I've seen here that we have 10 years of strong customer data that has been very, very tuned with a lot of information about users' preferences, behavior, learnings, and patterns, and some have been doing safety capabilities for the past 10 years from Day 1. So, a lot of ML, a lot of technology that has been focused on safety for our users. That is the biggest potential for us, near term and long term because we can not only use the various technologies that I'm sure you're all hearing about with generative AI and ML, we can use all of that but really fine-tune to what is unique and powerful to Bumble. And that is one of our biggest assets and one that I am particularly excited about.

But let me pass it to Anu to talk about our marketing spend.

Anu Subramanian – *Chief Financial Officer*

Sure. Shweta, so quickly on marketing spend. Just at a high level, so we are intending to create leverage on our marketing spend line item. We've consistently been saying we want to get more efficient.

We want to make sure that we have the highest standards in terms of ROI. So, compared to where we were in 2023 in terms of marketing as a percentage of revenue, you should see, in 2024, that line item see some leverage. In terms of how we expect spend to come about over the course of the year, you should see a spend more in the first half of the year than we will in the second half of the year. So, we will start spending more in Q1 leading up into our Q2 launch, more in Q2 as well as a percentage of revenue, and then you'll start to see the marketing spend ease up as a percentage of revenue in Q3 and Q4 as the revenue starts to ramp up as well.

So, that's at a high level how we are thinking about marketing spend. Now, as we always say, we have a high bar for how we think about ROI for our spend, both for our brand spend as well as for our growth marketing. So, that is something that we take a look at on a market-by-market basis as well as depending on what's happening from a product perspective. So, you'll see us continue to do that.

Operator

Our next question comes from Ygal Arounian with Citi. Your line is open. Please go ahead.

Ygal Arounian – *Citi – Analyst*

Hey, good afternoon, everyone. The first question, just on the margin expansion and the investment, and I guess, what you're reinvesting on the cost resizing. Lidiane coming in, you're talking about kind of significant investments in relaunching the Bumble App, accelerating the product road map, and transforming Bumble in general. Can you just talk about how you got to this level of framework or how you think about in terms of the right level of investment? And then I guess on BFF also, just a little bit more color on what you've seen there and what some of the things there that you plan to do on the product road map to try to get that to accelerate or ramp up as well? Thanks.

Lidiane Jones – *Chief Executive Officer*

Yeah. Great. Lots of great points of the question there, so let me try to tackle them. Coming into Bumble, the immediate opportunity that I saw for us, especially with the brand that we have with the ability to serve our customers beyond just dating, is to create a portfolio of experiences that we can bring our customers along with us and really start retaining that customer base for a much longer period of time, so from dating to official, and really provide a cohesive experience.

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us today. I want to acknowledge today is a difficult day for all of our employees at Bumble. We are saying goodbye to a lot of colleagues that have played a big role in making Bumble what it is today.

So, I appreciate all that our employees have done for us. But the desalination of this transformation is how do we organize to fulfill this vision for our customers as quickly as we can. And that has been the foundation of organizing back into functional model so that we're bringing technical and product leaders that know how to build the platform at scale so that we can gain the most amount of leverage from our innovation and our resources and our investments. And I'm thrilled to welcome Ali and Antoine with the right experience that they have to help us realize that.

And with that in mind, we've really focused all of our transformation decisions based on speed and agility, we've centralized some of our product engineering investments to allow us to go more quickly and drive decision-making more effectively. And a big part of what we want to do in terms of reinvestment into the second part of your question is reallocating some of our resources into the areas where we see the biggest opportunity for growth. And we see growth innovation on the dating segment, so bringing in more AI, more data, and more safety talent to our organization so that we can truly drive a more transformative set of innovation into the category and into Bumble for Friends. So, let me unpack that just a little bit.

Bumble BFF has had just a really small but strong following. And the reason for that is that we have been using the same paradigm for BFF as we have for dating. And when there is a one-to-one match for friendships, you're really limiting the set of users that are comfortable with that paradigm. And what we want to do is actually shift to that paradigm and making Bumble for Friends a lot more about building and signing communities.

And this is truly what our customers are telling. They involve being part of our platform. It's really hard to connect with each other. So, we are really going to accelerate the investment in that.

And I'm really looking forward to sharing more with all of you in the coming months as we sharpen our overall strategy.

Operator

Our next question comes from Justin Patterson with KeyBanc Capital Markets. Your line is open. Please go ahead.

Miles Jakubiak – *KeyBanc Capital Markets – Analyst*

Hi there. Miles Jakubiak on for Justin. Maybe to start, Lidiane, Bumble has done a good job of stabilizing the Badoo business. Just what are you seeing in that business to start? And how is the confidence level on maintaining that stabilization and returning growth to that business as it seems to becoming a more important part of the equation? And then just on the full-year revenue guidance, maybe just the puts and takes on the macro factored – environment factored within that guidance? And then just more broadly, how do you feel about the current macro environment relative to the end of 2023? Thank you.

Lidiane Jones – *Chief Executive Officer*

Thank you, Miles. It's been fascinating coming to the company and learning all of the transformation that we have already gone through with the Badoo relaunch of last year. And it's been going really well. It's been a steady improvement to the customer engagement, overall satisfaction.

And as you're seeing in our results, a steadier growth to our business. We're really excited about the progress that the team has made there. And we're going to continue to see focus on that transformation. We believe we've really focused on delivering confident dating, which has been a core of that strategy, and it's resonating really well with our customers.

I'll pass to Anu, but I do want to call out that we really -- I certainly see a massive opportunity into the category overall. And it really is going to be a key focus for us to deeply listen to our customers in terms of the decisions that we make and the investments that we make. But Anu, do you want to provide a little bit more color into the macro environment?

Anu Subramanian -- *Chief Financial Officer*

Sure. So, before I touch on macro, I wanted to follow up on Lidiane's comments about Badoo because we didn't talk about it in the context of guidance. We've been very pleased with Badoo's performance. As we've said, it's performing well.

It has stable growth. And in many of its top markets, we're seeing strong growth across several metrics. So, the -- we've not made any overall changes to our assumptions from when we had last provided our guidance to now in terms of how Badoo and other performed. So, we continue to be very pleased about it.

As you've seen from a net adds perspective as well, Badoo is starting to turn positive. And all throughout this year, we expect to see Badoo being flat to positive in terms of net adds every quarter. So, again, very pleased with the performance there. In terms of how we've thought about macro in our guidance.

As I mentioned earlier, we are seeing some slowness in our top-of-the-funnel trends in primarily the U.S. where obviously the macro impact is probably more pronounced. We are seeing it, as we've said before, with our younger customers as well. So, we do think that there is an element of macro playing into some of the softness that we are seeing.

So, we've made assumptions around how we think it progresses through the rest of the year in terms of what we are seeing today. And then the goal is that when the product relaunch happens in the second half of the year, the product starts to really resonate with our customers, and we are able to turn the dial up in terms of payer penetration and ARPPU and ultimately revenue because Lidiane's point, are -- the core job to be done from Bumble App's perspective is in making sure that we give the customers the best possible experience. And that's what we are heavily focused on and that what you'll see us talk about all through this year.

Operator

We now turn to Benjamin Black with Deutsche Bank. Your line is open. Please go ahead.

Benjamin Black -- *Deutsche Bank -- Analyst*

Great. Thank you for taking my questions. First, Lidiane, a bigger picture question for you on just the online dating market in general. There's obviously concerns approaching maturity, even saturation.

So, when you're contemplating taking on the role of CEO at Bumble, what did you see specifically that gave you confidence and that the end market growth is still very attractive? And then perhaps one for Anu, too. It would be just great to hear sort of a capital allocation policy update, just given the broader changes in leadership share. Are you potentially open to taking a little bit more leverage to sort of fund some of your initiatives? I'd be curious to hear about that. Thank you.

Lidiane Jones -- *Chief Executive Officer*

Benjamin, thank you for that question. Certainly, you had read a lot of reports about the category as I was considering the role. But I find if you look at the data yourselves as well that it's an interesting disconnect. The demand for connection and love continues to be really strong, 2 billion single people around the globe.

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That actual disconnect was what got most excited about taking this job, especially here at Badoo where I felt so compelled to the mission and the fundamentals of the company, the brand, and the financial strength are so positive. I believe when Apple launched the iPhone, people are also talking about why it was someone entering a mature smartphone category, it is innovation and detail to the polish experience of our users that drive change. So, I'm excited to bring a fresh perspective to the category.

But certainly, we're focused on our customers and our company, and we believe we can really meet the needs of the users that are currently there, the demand is there. We just have to meet it. So, truly excited about being here.

Anu Subramanian – *Chief Financial Officer*

Great. Ben, just quickly on capital allocation opportunity. And I've been spending a lot of time since she started reviewing our capital allocation policy. At a high level, the themes that we have given you all in the past are still very much the themes that we are focused on, which is, number one, focusing on the organic growth of our business.

We continue to be opportunistic in terms of thinking about M&A. Again, the bar for M&A is very high for us. And lastly, our commitment to returning cash back to shareholders continues to be very high, as you've seen. We did the transaction in Q4, where we bought shares directly from Blackstone, and we've continued to buy into 2024 as well.

So, our commitment around returning cash continues to be high. Obviously, we are continuing to see where the markets are in terms of interest rates, we have the benefit of being pretty accretive from a cash perspective, and we feel like we have a very strong balance sheet. So, we are reviewing all the options, and we'll provide more updates as we go through the year.

Operator

Our next question comes from Ken Gawrelski with Wells Fargo. Your line is open. Please go ahead.

Ken Gawrelski – *Wells Fargo Securities – Analyst*

Thank you very much for the questions. Appreciate it. First, maybe for Lidiane. Could you just talk about – when you talk about applying AI and the opportunities there, could you just bigger picture give us a sense of the capabilities that you have in-house, what you need to build versus potentially partner? How are you going to accomplish what you're looking – what you're setting out to do? And then maybe the second one a little bit more tactically is, when you talk about the softness in 1Q, Match, your competitor has indicated a step-up in Tinder marketing.

Are you seeing any impact from additional Tinder marketing in 1Q on the top of funnel and especially in the U.S.? Thank you.

Lidiane Jones – *Chief Executive Officer*

Thank you for that question. So, let's start with the first question related to AI. As I mentioned earlier, this is the most exciting part of untapped potential for us is that we have an immense amount of data related to users' preferences, behaviors, what drives positive success for our customers. So, just a tremendous, tremendous amount of insight in-house, which has been amazing to see.

Separately, AI hasn't been new to Bumble. Bumble has been innovating in AI for a really long time. It launched a lot of capabilities in photo and detection of fake accounts we recently launched and there's so much more. So, we have an amazing foundation of AI and ML capabilities that exist today that we can already lean on as well.

So, what we want to do is not only lean on the set of data and capabilities that we have but we can also partner, and we have been in early pilots with several large language model vendors to really advance what we believe will help users through this augmented co-

Now, with a longer-term vision, we believe there is -- because of our safety in principles, we will be continuing to the AI for a long time. I think there's a lot of unique value to creating a set of principles that fully at healthy and equitable relationships -- in relationships and communities and so forth.

So, you will see a lot of innovation for formats there. Now, in terms of competitive pressure, we have been in a competitive environment always. That's always been the case. Our focus is to really prioritize our customers.

I think strong companies are the ones that focus on customers first and foremost. So, our focus right now is investing in our marketing, our product, and our overall set of customer experiences across our key markets to meet what is differentiated for Bumble, again, which is women's experience, safety, and so forth. So, we certainly feel that it's fully in our control to help our customers meet our experiences.

Operator

We now turn to Curtis Nagle with Bank of America. Your line is open. Please go ahead.

Curtis Nagle -- *Bank of America Merrill Lynch -- Analyst*

Great. Thanks very much for taking my question. First one, I just wanted to quickly go back to Premium Plus. I understand the point of, I guess, not being enough differentiation to justify the tier to broaden audience.

Actually, Lidiane, what are you like envisioning adding to this tier to make it, I guess, more appealing? And then just a quick follow-up for Anu. Just what drove the ARPPU weakness? Was that mostly a mix shift in brand or anything else going on?

Lidiane Jones -- *Chief Executive Officer*

Yeah. Let me start with our Premium Plus. There's two dynamics with higher-end tiers that are very interesting for us. The first is users want more of everything are limited capabilities when they take a higher-end tier.

So, that's certainly dynamics that we're really looking at, what drives the most important inside of customer experiences that number of slides, super slide highlights. So, we really want to expand the set of capabilities that gives customers that confidence that they're getting the best possible set of services from us. The second piece is differentiated experiences. And we believe there are some opportunities for us with AI insights about what might drive higher success for users.

We know a lot of our users want to have more information about what's resonating with people that are seeing their profile. So, that's one category of investments that we're looking at higher differentiation for Premium Plus. And so, we're going to be looking at these two streams to ensure that we're creating only this great value across the entire app but certainly differentiated set of capabilities as well.

Anu Subramanian -- *Chief Financial Officer*

Yeah. Sure. And on the -- ARPPU question, like I said in my prepared remarks, it's largely a function of mix shift between different geographies that is leading to overall ARPPU being negative. But like I said, in an individual market, we continue to be focused on increasing ARPPU, we continue to be doing pricing optimization work.

And as we see higher attach rates for existing users from additional offerings like consumables, you also see ARPPU go up. So, that's really what you're seeing reflected in the overall ARPPU for Bumble App.

Our final question today comes from Chris Kuntarich with UBS. Your line is open. Please go ahead.

Chris Kuntarich – *UBS -- Analyst*

Great. Thanks for taking the question. Just on the reinvestment, the \$15 million of the \$55 million restructuring savings. Can you just talk a bit about what you would need to see to accelerate the amount that you're reinvesting in the business?

Lidiane Jones – *Chief Executive Officer*

Yeah. Let me unpack the -- at a high level, we've talked about reinvestment from a safety data, but let me tell you more specifically what we're going to do there. Our goal is to higher end, as Anu said, from our capital allocation, you want to really focus on organic growth in the near term, but we're going to be flexible in terms of evaluating talent or technology assets to accelerate our vision from a dating an AI perspective. So, we want to really invest on AI innovation.

As I mentioned earlier, there are some pilots that we have already started to ensure that we really learn what makes the AI humanly exciting for users. We want to invest in AI to help our users be more human and better themselves. We are now building AI for the sake of AI here. So, our investments and our pilots are very much about fine-tuning the app.

So, there is the ability to hire some resources to accelerate that, we certainly will consider that. But to Anu's point, we want to be super methodical and have a high bar because customer experience is going to be the paramount principle behind any evaluation like that. The second piece of reinvestment that I mentioned is accelerating the ability of helping our customers gain value for more than just one of our offerings. So, we are focused on building a user platform that's going to allow us to provide more recommendations for what else might be interesting for users to get from Bumble.

So, if you are on Bumble Bees and you go on a date, we may recommend for you to try Official, and you are going to carry that experience for you seamlessly. And as we expand into as refocus on Bubble for Friends, that allows us to really bring our customer base seamlessly to Bumble for Friends. So, we're really excited about this set of reinvestment. That means hiring great talented people that have a lot of AI, data, and safety experience to our teams, and certainly, we'll do that in the fastest possible way.

Operator

[Operator signoff]

Duration: 0 minutes

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