

CuriosityStream
Q1 2022 Prepared Remarks

Denise Garcia, Investor Relations

Welcome to CuriosityStream's discussion of its first quarter 2022 financial results. Leading the discussion today are Clint Stinchcomb, CuriosityStream's Chief Executive Officer, and Jason Eustace, CuriosityStream's Chief Financial Officer. Following management's prepared remarks, we will be happy to take your questions. But first, I'll review the safe harbor statement.

Safe Harbor Statement

During this call, we may make statements related to our business that are forward-looking statements under the federal securities laws. These statements are not guarantees of future performance, but rather are subject to a variety of risks, uncertainties, and assumptions. Our actual results could differ materially from expectations reflected in any forward-looking statements. Please be aware that any forward-looking statements reflect management's current views only and the Company undertakes no obligation to revise or update these statements nor to make additional forward-looking statements in the future. For a discussion of the material risks and other important factors that could affect our actual results, please refer to our SEC filings available on the SEC website and on our Investor Relations website as well as the risks and other important factors discussed in today's press release. Additional information will also be set forth in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, when filed. In addition, reference will be made to non-GAAP financial measures. A reconciliation of these non-GAAP measures to comparable GAAP measures can be found on our website at investors.curiositystream.com.

Now I'll turn the call over to Clint.

Clint Stinchcomb, CEO

Thank you, Denise. I would like to thank everyone for joining our first quarter earnings call. Also joining us today is our COO and General Counsel, Tia Cudahy, our CFO, Jason Eustace, and our Chief Product Officer and EVP of Content Strategy, Devin Emery. This quarter, Jason will begin with an overview of our first quarter financial results and a review of our key financial objectives. Following his remarks, I'll share our plan to achieve those objectives. Jason?

Jason Eustace, CFO

Thanks, Clint. First, I'm pleased to report first quarter 2022 revenue grew 77% year over year to \$17.6 million with strong DTC revenue growth of 49%. Both revenue and EBITDA were in line with our expectations. Notably, we reduced our cash burn by \$19.3 million quarter over quarter to \$13.9 million, and we ended the first quarter with a cash, restricted cash, and available for sale investments balance of \$85 million while weighted average shares outstanding were 52.8 million. We are increasing our guidance for the first half, and we now expect revenue to range from \$38 million to \$40 million, and for EBITDA to range from (\$35) million to (\$33) million.

Last quarter, we discussed our increased focus on the achievement of positive cash flow, and said we would provide updates on this objective in the future. Today, we are establishing two specific financial targets related to this objective. First, we intend to achieve positive cash flow from operations by the first quarter of 2023. And second, we expect to maintain a minimum cash and investments balance of \$50 million this year and beyond. These targets are crucially important to our board, our management team,

and our shareholders as we work towards joining the ranks of enduring companies that operate on a positive cash flow basis.

Now I'll turn the call back over to Clint to discuss our strategy and our plans to meet these objectives.

Clint Stinchcomb, CEO

Thanks, Jason. And, to be clear, given the company's strong cash position and positive operating cash flow forecast, management expects no requirement for future capital raises to support operations. Since becoming a public company almost two years ago, we've significantly grown revenue and subscribers, developed a multifaceted revenue stack, and built the world's best factual content library. As you know, the Curiosity company we operate today is a much more robust business than it was less than two years ago. Along the way, we have created many assets, built solid relationships and developed key learnings that we have yet to fully leverage to drive growth and operating efficiency. As a streaming platform with flexible content rights, we can quickly pivot to take advantage of changes in market dynamics, and do so in a cost-effective manner. I believe the work we have done has positioned us well to operate on a positive operating cash flow basis by the first quarter of 2023 while maintaining a \$50 million cash cushion.

To get there, let me share how we view our business opportunity. Our board and our management team view our business as three primary building blocks. The first of these, which we built early on in our development, is a well-engineered streaming platform that can scale globally. Our territorially-adaptive, easy to navigate, and localizable streaming platform now serves Curiosity subscribers in over 175 countries and territories and enables us to launch, with existing capital and engineering resources, regional SVOD services such as the service we recently launched in Germany in partnership with Spiegel.

Our second building block is our content. Through the end of 2022, we will have invested over \$188 million in original productions and acquired content. We've invested a further \$15-20 million in acquisitions like One Day University and Learn25 and partnerships like Spiegel and Nebula which brought additional content into our ecosystem that we have yet to fully cultivate. We believe the original production cost, or "on-screen" value of our content, is over 5 times greater than what we actually paid for it, and with over 10,000 titles we believe we have built the world's best factual content library in all genres. As we've gained knowledge about the kinds of factual content audiences are most interested in and which resonate best with consumers, we believe much of the heavy lifting is behind us. We have identified a path forward which will allow us to continue to delight our subscribers by refreshing and replenishing the Curiosity library while reducing our content spending to a level that can easily be accommodated within positive cash flow from operations in 2023 and beyond.

As a reminder, Curiosity is distinguished from other streaming companies in that we are not competing to win the content spending war. We monetize our content in multiple ways and are playing on an entirely different field. We are not, for example, bidding on ever-escalating sports rights or scripted series. In contrast, Curiosity operates within a more predictable, less competitive content acquisition and production environment...especially now that traditional factual linear networks have transitioned largely to the exhibition of reality TV repeats and the major streaming platforms are focused largely on the production of movies and scripted series. While the competitive battles rage on between the scripted content streamers, Curiosity now stands alone as the reliable destination for on-demand premium factual content in history, science, nature, technology, human adventure, space, medicine, and exploration. This is a good place to be.

We expect our cash flow profile to improve next year as we continue to monetize our content through subscriptions to our direct tiers, bundled partnerships, content licensing, and sponsorship.

And in the service of these objectives—promotion to our subscription tiers and advertising and sponsorship monetization – we are increasingly focused on building audience engagement in front of the paywall. We are doing this through expanded rollouts of our FAST and PayTV channels that focus on genres ranging from science to history to nature to kids, and also through enhanced engagement in AVOD and audio. In light of the flexible rights we control across our thousands of hours of content, we can be swiftly responsive to the needs of subscription-resistant consumers through distribution partners.

As these free, ad-supported developments illustrate, a key strategy for us this year is to reduce expenditures on direct paid marketing. As revenue builds in 2023 and beyond from our ad-supported services, and as our SVOD sales are boosted from the enhanced promotion, we expect that our revenues and profits will continue to increase. We also intend to continue to explore alliances and combinations that would result in the exposure of our content on global-scale promotional platforms.

At Curiosity, we believe that our promotional funnels, which effectively and efficiently market our core premium SVOD service constitute the third critical building block of our enterprise. Our game plan is to focus on maximizing the performance of our global streaming platform, our best-in-class content, and our promotional outreach.

In summary, we have created an enduring media brand that we expect to soon generate positive cash flow from operations with an upward revenue growth trajectory that is fully reflective of the worldwide demand for quality entertainment that informs, enchants, and inspires.

With that, Operator, let's open the call to questions.